FBIS DAILY REPORT

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Vol VI No 020 30 January 1987

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PEREZ DE CUELLAR, SEPULVEDA REVIEW C.A. PEACE TOUR

PA232318 Mexico City XEW Television Network in Spanish 0530 GMT 23 Jan 87

[Interview with UN Secretary General Javier Perez de Cuellar and Mexican Foreign Secretary Bernardo Sepulveda Amor by Guillermo Ochoa XEW television director general in Mexico City; date not given -- recorded]

[Text] [Ochoa] Mr Secretary General, if I asked you to describe your feelings about your visit to Central America, in one word, would you use the word disappointing?

[Perez de Cuellar] No, I would say it was enriching. What we managed to learn, together with the foreign ministers and the OAS secretary general, is very useful. Among other things, we obtained a general idea of the situation. It was my first direct contact with the region regarding the framework of the Contadora Group's problem. Obviously, it was not the first time for the foreign ministers, as they had previously visited the area, and have constantly shown persistence by continuing their efforts for so many years. However, it was my first experience. I have used the word enriching because I have learned a lot from this visit. I cannot tell you yet whether it was good or bad, but it certainly was a very useful experience for me.

[Ochoa] Do you mean from your personal viewpoint?

[Perez de Cuellar] No, I am giving you my professional viewpoint. From my professional viewpoint, I learned a great deal from the five countries I visited. I perceived the various degrees of temperature -- not atmospheric, but of another kind, as you can imagine -- which has been very interesting to me, as I have measured the level of interest in the efforts of the Contadora and Support Groups' foreign ministers.

[Ochoa] However, you have noticed a lack of political willingness?

[Perez de Cuellar] I believe that... [corrects himself] no, I am convinced that this lack of political willingness is not definitive. The five countries we visited are probably still considering ways in which they can -- at least I hope they are -- contribute to the process. However, during the tour, my personal opinion -- I cannot speak for the foreign ministers -- is that there is no... [changes thought] well, in some cases... the degree also varies in this lack of political willingness. [sentence as heard] When I say lack of political willingness I am not saying that there is no interest. What I mean by a lack of political willingness is that there is no determination to make the necessary decisions to cooperate with the Contadora Group in resolving the problem. By this I do not mean to say -- I would certainly not want to offend the distinguished presidents with whom we have had the opportunity to meet -- that these leaders are incapable of making a decision

However, during the tour, my personal impression was that they had not yet made the necessary political decisions. I said not yet, as I still hope that these decisions will soon be made. As I said yesterday during a news conference, this problem cannot be solved if the parties directly involved maintain rigid positions. One cannot negotiate by saying I must win, or I will not participate in the effort. It would be respectful toward the countries that are bent on conducting this effort to show some flexibility, a certain amount of what I would describe as goodwill, as this may sound too harsh.

But they must show at least a certain amount of ductility, flexibility, and maneuverability which would enable us, or the foreign ministers to find the common denominators mentioned so often. Evidently, if everyone remains indifferent in their rigid positions, they are making negotiations impossible. It is useless to make public statements saying that everybody supports the Contadora Group. It can only be supported with political determination and will. That political determination should be saying: Well, we are determined to help in this effort and we are willing to make reciprocal concessions to facilitate the efforts of the Contadora Group negotiators.

[Ochoa] Now, this reminds me of an example which may not be the right one or the best one, but it is the only one that comes to mind: This is like an old lady who refuses to cross the street, although a little boy offers to help her. It sould seem that the Contadora Group efforts sometime boil down to that: They do not want to be helped to overcome the problem.

[Perez de Cuellar] Well, if the old lady preferred to die right where she was, although the person who offered to help wanted to lead her to a safe place or to take her where she could receive assistance, the old lady was wrong. On the other hand, the gesture of the man or the young man who offered to help her cross the street was noble and constructive.

[Ochoa] In regard to death, is there a real danger of war in the region?

[Perez de Cuellar] No, I do not believe so. I do not know what the foreign ministers or Foreign Secretary Sepulveda's opinion is. However, I do not think that we can talk about an imminent danger. The danger is latent, though, and if we are going to wait for the danger to become imminent in order to take action, I believe that the responsibility -- not only of the Contadora Group, but of the international community as a whole -- would be great.

[Ochoa] As a whole...this takes us to the United Nations. Can the United Nations do anything in Central America, beyond the Contadora Group's efforts, which in my opinion are very reasonable and praiseworthy? Can the internatinal community (?do something)?

[Perez de Cuellar] In the case of a regional conflict, like this one, the UN policy is to allow a reasonable amount of room so that the conflict can be resolved within its own environment. What it has done and what it must do, is encourage those efforts, and more than encouraging those efforts, support those efforts through resolutions issued by the UN Security Council and the General Assembly. Based on your knowledge of the United Nations, you undoubtedly know that the resolutions issued by the UN General Assembly mean that none of its member-countries, particularly none of the permanent members, have opposed the resolutions expressing support for the Contadora Group. So we can say that the Contadora Group has the support of the five permanent members of the UN Security Council -- which, as you know, are the United States, the USSR, France, Great Britain, and China -- and also of the other 10 permanent members [sentence as heard]. The resolutions adopted by the General Assembly were also unanimously approved. Therefore, for example in the case of the United States, that country is committed through its vote -- which is even more serious than a promise -- to give its firm support to the Contadora Group's efforts. I trust that those efforts will not only be expressed verbally, but also through actions.

[Ochoa] Yesterday you mentioned the United States and the USSR, the two superpowers, and you said that whenever we have a problem, we should refrain from calling them over the phone to ask them to resolve it. Perhaps what we should do -- and I would like to know your opinion -- is ask them not to help us in resolving our problems. In other words, we should tell them: hands off, do not help us in resolving this problem.

[Perez de Cuellar] Well, in reality, you are viewing my reply from a different angle [Perez de Cuellar laughs]. Evidently, you are referring to my statement in the sense that it should not be necessary to ask them for their help, or simply tell them: do not help us, or simply as they say in English, hands off [preceding two words in English].

[Ochoa] Hands off....

[Perez de Cuellar] Yes, hands off. What I meant by this, evidently -- and I was not only referring to Central America -- is that if as UN secretary general I accepted the concept that I need the help of the two superpowers to resolve problems, it would be better for me to go home tomorrow. If that were the case, what is the purpose of this international organization -- which is supposed to be the international community's largest democratic institution -- if we must wait for the opinion of one of the two superpowers to resolve a small (?national) problem?

[Ochoa] Are you going to deliver a report to the UN Security Council?

[Perez de Cuellar] Yes, I certainly will. I am going to Kuwait in 2 days, to attend a summit of Islamic presidents and heads of state. Upon returning, which will be around 5 February, I will be ready to present it. Meanwhile, I am mentally preparing it, and I may prepare an initial draft report during my trip. Naturally, as we say in the United Nations, it will be a factual report, which obviously will include documents prepared by the eight Contadora and Support Groups foreign ministers.

[Ochoa] Of course it would not be logical or intelligent on our part to ask you to give us an idea on the contents of that report. However,...

[Perez de Cuellar] Well, I have told you about the contents of the report. It will contain facts based on my observations and the report that will be presented...[corrects himself] I mean the statement already issued by the eight foreign ministers.

[Ochoa] You have tremendous moral authority, but little actual power to resolve issues. You represent the international community, but you are not a mediator. However, as a human being, what are your motivations concerning the Nicaraguan and Salvadoran children?

[Perez de Cuellar] Not only for me, but for the eight foreign ministers who accompanied me, and for the OAS secretary general, it was at times the human aspect that impressed us most. Not only the children, but also the women, elderly people, victims of the earthquake or the sporadic hostilities occurring in Nicaragua impressed us.

All of this presents us with a picture of human misery, which impels us to work with more determination. I think that if at any time -- which I am sure happened -- the eight foreign ministers thought of slackening their efforts, they were invigorated by the picture of human misery they saw in those two countries.

There is another kind of misery, which is the low level of development that unfortunately prevails in all the countries in that area. This makes us -- at least in my case -- think of how cruel it is on the part of those who are delaying the solution of Central American problems. They are being cruel to their own people. So, now that you are talking about moral obligations and moral force, this lays a moral obligation on them to expedite their decisions and collaborate with the marvelous effort of the Contadora Group foreign ministers.

[Ochoa] Thank you. Mr Foreign Secretary: Javier Perez de Cuellar has mentioned the word: efforts. In Mexico many people perhaps wonder if Mexico has not made too many efforts, spent too much time and too much money, and perhaps comprised its relations with other countries because of its efforts in the Contadora Group.

[Sepulveda] First, if you allow me, I would like to publicly acknowledge the presence and contribution of UN Secretary General Javier Perez de Cuellar. His moral authority and political advice and wisdom have been invaluable to this mission of peace that the eight Latin American foreign ministers carried out in the company of the UN and OAS secretaries general. Their presence added specific political weight and recorded the legitimacy of the effort.

Regarding your question I would say that all efforts in favor of peace are valid and must be carried out. This is not a matter of abstract concepts. This is a matter that is intimately related with national interests.

If a political effort of this nature were not carried out, the risks that would have to be faced would be considerably bigger. One form of political impact would be the disastrous consequences of war in Central America. The impact of this would not only affect the five Central American countries but the border countries as well.

Mexico has a border with Central America. This is why the political resources now being invested to avoid war and to introduce a system of peace, security, cooperation, and democracy in the area are fully justified.

I would say that one obvious effect of a war would be mass movements of people. That is, wars produce the displacement of people who move to other regions for security, to survive.

The problem that would emerge, in the form of refugees, for example, would be a big problem for Mexico and neighboring countries. But there would be other effects: Political instability in the Central American region is another motive for serious concern and this could affect neighboring countries.

There is an additional situation. It has to do with the arms buildup. We are noticing that in Central America the citizens are being militarized and that there has been an increase in the quality and quantity of arms throughout Central America.

This means that for national security reasons, Mexico has the obligation to introduce a plan for the control and reduction of arms.

In addition to this, Mexico has enconomic interests in the region. These are legitimate interests that have to do with commerce, finance, investments, and technology transfer. If there is a rupture in the economic structure of Central America, Mexico would also suffer because our ability to economically interrelate with the Central American region would be reduced as there would be a regional economic depression.

I would add another element that I think is important also: It is politically important to have harmonious relations between Central America and the rest of Latin America. Mexico is an important member of Latin America. It is committed to a Latin Americanist project. We want a Latin American solution to the Central American crisis. This is why we think Mexico has the responsibility and the obligation of making all sorts of efforts to produce and renew a climate of peace, for the benefit not only of the Central American people, but also Latin America as a whole.

[Ochoa] Mr Secretary Sepulveda, could it be said that our efforts and participation in Contadora has done damage to our relations with other countries, for example the United States?

[Sepulveda] I do not think so. Secretary General Perez de Cuellar said something that should be remembered periodically: The U.S. Government, President Reagan, and Secretary Shultz have stated on various occasions their support for Contadora and the negotiation process. We have to accept as valid the word of the Reagan administration.

We must assume that they are committed to a negotiating process that will mean eradicating the military road in the search for a solution of the Central American crisis. What we would like is a real contribution so that the objectives of Contadora may come true.

[Ochoa] Thank you Mr UN Secretary General Javier Perez de Cuellar and Mexican Foreign Secretary Bernardo Sepulveda. Thank you.

BRAZIL'S SODRE SAYS NO MEETING WITH CONTRAS

PA232159 Mexico City Red Nacional 13 Imevision Television in Spanish 1955 GMT 23 Jan 87

[Text] Brazilian Foreign Minister Roberto Costa de Abreu Sodre said today that the Contadora and Support Groups are prepared to meet with the opposition in Nicaragua but will not meet with the counterrevolutionaries.

Sodre was interviewed here in Mexico City and said that this type of effort is contemplated in the agenda of the sessions of the eight Latin American countries. Furthermore, he said that the EEC member-countries are interested in supporting the Contadora efforts.

The statement denies reports from Washington that certain member-countries of the Contadora and Support Groups are interested in getting Nicaragua to negotiate with the contras.

COMMENTARY VIEWS DANGERS OF DISAGREEING WITH U.S.

PY281230 Buenos Aires LA PRENSA in Spanish 20 Jan 87 pp 1, 4

[Commentary by J. Iglesias Rouco: "Dangerous Disagreement"]

[Excerpt] Despite the government's recent announcement of "noticeable improvement" in relations with Washington, and despite U.S. efforts to achieve such an improvement, the Argentine Government's position on the Central American conflict has not changed substantially. An Argentine cabinet member has noted, however, that in their discussions with Mr Reagan's special envoy Mr Habib a few days ago, Mr Caputo and Mr Alfonsin showed more "willingness" to yield to Washington demands.

After that short talk, the White House seems ready to adopt the same "willingness" toward Buenos Aires, by softening its position toward "Alfonsinism," or, at least, by disguising its dislike of the Argentine attitude. At the same time, however, the White House will continue to exert discreet pressure on our government to change its Central American policy. This White House strategy can be observed through two, almost simultaneous events: On one hand, Washington has certainly inspired the World Bank president to praise Argentina's recent agreement with the IMF, while announcing as news -- perhaps as a reward for Alfonsin's "entente" with the IMF -- a $2-million loan, which the IMF had granted Buenos Aires a long time ago, and which Mr Brodersohn [Argentine Treasury Secretary] also referred to when praising the agreement between Argentina and the IMF. On the other hand, Washington ignored the Argentine Government's request for U.S. "mediation" in the Malvinas issue, as well as any pledge to try to persuade other countries, such as Australia and Uruguay, to act as "mediators." According to our sources, Habib did very much the opposite: He suggested that a formal bilateral negotiation be held between London and Buenos Aires. This suggestion, besides being currently impossible, has increased the obvious concern of the Foreign Ministry and the President's Office about developments in the South Atlantic after 1 February.

According to a report the U.S. Treasury reportedly sent to the "steering committee," [preceeding two words in English] the U.S Government did not rule out the possibility that Argentina might break with the IMF and the creditor banks shortly before or after the next local elections. This possibility would certainly force the IMF to intensify its control over the restrictive monetary obligations which Argentina has now contracted with the IMF, and to activate, more strictly and promptly, the "trigger clauses" which are included in the "stand-by" [preceeding two words in English] agreement. In sum, Washington continues to show its allies and the international institutions over which it has "influence" that Alfonsinism is not very reliable. Washington is applying this policy to the most "sensitive" areas of the Argentine foreign front, as well as to Argentine domestic problems, although using slightly better manners. Thus, the United States is showing that it not only distrusts Alfonsinism but that it also is ready to fight it. [passage omitted]

CONTINUING REPORTAGE ON FALKLANDS DEBATE

Minister on Court Cases, Islands

PY291744 Buenos Aires TELAM in Spanish 0235 GMT 29 Jan 87

[Text] Buenos Aires, 28 Jan (TELAM) -- Defense Minister Horacio Jaunarena tonight said that the situation within the Navy is absolutely normal, and that anyone called to testify before the courts will do so.

During a news conference given at the ministry following a meeting with Navy commanders, Jaunarena emphasized that Argentina does not have any aggressive intentions.

During the meeting, which was held at the Libertad Building, Jaunarena considered with the Navy commanders the possibility of patrolling the South Atlantic to enable Argentina to protect its rights in the area. The Navy budget situation was also analyzed.

Regarding the court actions against members of the Navy, the minister said that officers involved will testify. He emphasized that no officer on active duty has as yet failed to do so.

He expressed surprise over the newspaper reports on Lieutenant Commanders Carlos Capdevila and Fernando Peson, who, according to the reports, twice failed to show up to testify before the courts. Jaunarena said that he had been told that they had been summoned for 30 January, and added that normal court proceedings will be respected.

Jaunarena denied that obstacles have been put in the way of a quick solution to the court cases, and recalled that over 5,000 [word indistinct] have been answered since he was sworn in in 1983. We have never received any complaint for delaying a case, he said.

Regarding his meeting with U.S. Southern Command General John Galvin, the minister said we analyzed a broad number of topics regarding relations between the two Armed Forces, while the topic of the Malvinas Islands was mentioned only superficially.

Jaunarena said that apart from speeding up the processes in the different courts, there is tranquillity within the Armed Forces. He added that the implementation of the new law will define those responsible for the events that occurred during the fight against subversion. He said that he believes that as soon as those responsible are defined, the concern for society will be overcome.

Questioned about a statement made by Justice Secretary Ideler Tonelli who said that those who do not appear to testify before the courts would be discharged, Jaunarena answered: That is what happens to an officer when he does not obey an order.

## Deputy Discusses Consequences

PY291535 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1320 GMT 29 Jan 87

[Quotation marks as received]

[Text] Mar del Plata, 29 Jan (NA) -- Regarding the implementation of an expanded exclusion zone around the Malvinas Islands as of 1 February -- the day it will go into effect -- National Deputy Federico Storani has stressed that "nothing spectacular is going to happen."

However, he did add that the event is much more serious than it seems because in a "de facto" manner they have taken over a part of our seas, which are part of our territory. The deputy also stated that the event "has serious consequences because the Argentine recovery of the islands was very much tied to the extra expenditures that forced a significant increase in the United Kingdom's budget."

[Passage indistinct] on 28 January, Cesar Jaroslavsky stated that "a 10-mile buffer will be put into effect between Argentine jurisdictional waters and Great Britain's exclusion zone in order to prevent incidents during normal patrols carried out by the Argentine Navy."

The congressman also stated that within the next few days the Foreign Ministry will release a communique regarding Argentine's position on this topic. Moreover, Storani stated that "the English have now discovered that they have a lucrative proposition in the granting of fishing licenses to private enterprises. These licenses will allow them to finance the fortress they have installed on the islands and [words indistinct] created an important income. Therefore, they will be interested in staying, and they will even reinforce their military position."

The president of the Foreign Affairs Committee of the Chamber of Deputies also stated that the United States will rest more easily if the British stay in that area instead of the Argentines, because despite the fact that we are a democratic government, we remain unpredictable in many aspects for the United States."

He also said that "there is no doubt that the British position is fairly close to that of the largest power in the world, and the United States is not intervening directly, simply because doing so would have ensured the wrath Latin America as a whole in 1982. [sentence as received]

He stated that the visit of the presidential envoy [words indistinct] Philip Habib had for [words indistinct] the situation in Central America [words indistinct] Malvinas was of secondary important because the North Americans are not interested, the situation is advantageous for them, and they prefer the status quo."

## Senator, U.S. Ambassador Meet

PY291540 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1350 GMT 29 Jan 87

[Text] Buenos Aires, 29 Jan (NA) -- Senator Adolfo Gass, head of the Senate Foreign Relations Committee, today discarded the possibility that Great Britain may postpone the deadline for the enforcement of the exclusion zone around the Malvinas for 90 days. He indicated that this situation "will not change" the Argentine position to defend its sovereignty over ther islands. Gass made this statement at the conclusion of a 1-hour "protocol" meeting with U.S. Ambassador Theodore Gildred this morning.

Gildred said that U.S. relations with Argentina are "excellent," but he declined to comment on the Malvinas or the Central American conflict. After their meeting, Gildred and Senator Gass talked to NA. Gildred said that "an environment of greater respect for discussing the foreign debt" is being created. He added that his meeting with Gass dealt with the U.S. support for the Argentine Government.

Gass also said "we know nothing" about the statement made by Deputy Cesar Jaroslavsky regarding the Argentine creation of a 10-mile security zone outside the British exclusion zone in order to prevent incidents. Gass added that "we are going to protect our rights. We are not looking for a confrontation with Great Britain," but he warned that foreign vessels that fish in Argentine waters "will have to take the consequences."

Gass also said that President Raul Alfonsin is not worried, despite the fact that the date for the enforcement of the exclusion zone is approaching. Gass added that the president is being constantly informed on the latest events.

Regarding reports that Great Britain may postpone the enforcement of the exclusion zone until after the pope's visit to Argentine, Gass discarded that possibility saying that "as when the pope was in Central America, he will have no influence at all on this issue."

## Patrolling To Continue in Zone

PY300242 Buenos Aires TELAM in Spanish 0117 GMT 30 Jan 87

[Text] Buenos Aires, 29 Jan (TELAM) -- Foreign Minister Dante Caputo today said that Argentina will show that it has not (?accepted) the 200-mile fishing exclusion zone around the Malvinas Islands simply by patrolling the area over which Great Britain has claimed jurisdiction. This means that the Argentine ships will continue to patrol the entire area, as they have been doing since 29 October.

Caputo added: I want to make it clear that if we do not enter the 150-mile area around the islands it is not because it has been placed under administrative control; it is because its boundaries coincide with those of the military exclusion zone, which was declared after the 1982 war and which we have respected to avoid incidents.

In statements to Radio del Plata this afternoon, Caputo gave some details of a document his ministry will issue tomorrow regarding the enforcement on 1 February of the fishing exclusion zone Great Britain imposed around our southern archipelago on 29 October.

The minister said that the document will include a summary of the situation. (?It will outline) the principles the government has followed and will continue to follow in this matter.

Caputo stated: Great Britain made its unilateral decision on 29 October. This was followed by an administrative measure, which was the granting of fishing licenses and the establishment of a fishing area under administrative control within the 150-mile military exclusion zone.

The minister continued: If we imagine three concentric circles with the islands at the center, the circle with the largest diameter corresponds to the 200-mile zone; then comes the 150-mile fishing zone under administrative control, which coincides with the third circle, which is the zone in which Great Britain imposed military restrictions for Argentine ships after the 1982 conflict.

Argentina, he went on, will exercise its jurisdiction over this area through two main actions: We will continue to patrol the area, and we will exercise our jurisdiction through the fishing contracts we have signed and we will continue to sign with other countries over the next few months.

After pointing out that this will be more clearly specified in the document to be made public tomorrow, the foreign minister said that there are actually two fishing agreementse that will become effective simultaneously with the British measures. These agreements affect the 200-mile Argentine waters measured both from the coast and the Malvinas Islands.

He stressed that in order to keep peace and avoid incidents, the 150-mile military exclusion zone will be respected, thus preventing any armed incident with the British forces stationed there. Outside that zone, however, we will exert jurisdiction.

He said that the communique to be released tomorrow will give some details such as the number of ships that will be fishing, the areas where they will fish, and the kind of control that will be exercised. This will be very useful, he added, because the population will be informed, and fishing-related questions that have been exaggerated will be put in their proper place.

Minister Caputo pointed out in this regard, that the number of Soviet and Bulgarian ships that will fish in that area with Argentine Government authorization will be one-fourth of the number that were fishing there before the agreements were signed with those countries. Therefore, he added, the concern over ecological preservation and economic interests that could be affected is obviously exaggerated. He revelaed that during the fishing season, those ships will have two inspectors aboard to ensure compliance with the agreements.

Finally, Caputo recalled that there will be no British ships in the Argentine zone because Argentine ships will continue to patrol there.

GOVERNMENT ANNOUNCES INVESTMENT STRATEGY

PY292115 Buneos Aries BUENOS AIRES HERALD in English 29 Jan 87 p 3

[Text] (NA) -- The Economy Ministry yesterday disclosed a series of measures to open new financing channels, aimed at increasing public and private investment.

The measures were announced by Economy Minister Juan Sourrouille at a press conference. Also present were Treasury Secretary Mario Brodersohn, presidential advisor Enriquie Garcia Vazquez, Buenos Aires Stock Exchange President Jorge Canton and other economic authorities. Sourrouille explained that the government will issue three series of public debt securities, for a total 1 billion australs. These revenues will be allocated to finance investments. He added that public debt securities will be listed in the stock exchange and will be levied by general taxes.

As for the private sector, the packet of measures "for the growth of the capital market" includes authorizing private companies to issue debt securities. Private companies will be backed by financial institutions through an endorsement of securities and the interests will be set in line with those of fixed-term deposits of savings accounts. This move will be supported by a draft bill to be sent to Congress, calling for the elimination of restrictions on the marketing of securities by private companies. The bill also establishes the elimination of income taxes on the revenues from these securities.

Meanwhile, the Central Bank will set a special type of currency exchange to encourage foreign financing for export promotion. Thus farm, industrial and mining export programmes will have access to automatic financing.

NEW TELECOMMUNICATIONS HEAD INSTALLED

PY282000 Buenos Aires BUENOS AIRES HERALD in English 27 Jan 87 p 11

[Text] (NA) -- Nicolas Gallo yesterday assumed the post of head of Empresa Nacional de Telecomunicaciones (ENTEL), the state-owned telephone and communications utility. He was installed in office by Public Works Minister Pedro Trucco. Gallo was for several years head of the Buenos Aires city subway system.

PLO SEEKS RESUMPTION OF FORMAL DIPLOMATIC TIES

BY282228 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1530 GMT 23 Jan 87

[By Eugenio Paillet]

[Text] San Carlos de Bariloche, 23 Jan (NA) -- The Palestine Liberation Organization (PLO) seeks to achieve in the near future the resumption of "formal, diplomatic, and bilateral" relations with Argentina.

The PLO, which is recognized by the United Nations General Assembly as a legitimate representative of the Palestine people, assigns to Argentina an "important role" at the UN Security Council in the efforts to call an international peace conference on the Middle East. This fact was acknowledged in an interview granted NOTICIAS ARGENTINAS by Zehdi Terzi, the PLO representative to the United Nations. Terzi participated here as a guest panelist in a seminar on the Palestine issue. The seminar was sponsored by the UN Committee for the Inalienable Rights of the Palestinian People.

Amos Kenan, an Israeli journalist and writer, participated as a panelist in the seminar, together with Terzi. During the debate the Middle East conflict, including the 40 years of war, was discussed. The possibilities and the steps the parties should take to prevent the spreading of the armed struggle, and to seek lasting peace in the region, were also discussed.

Mr Terzi came to this city as the official PLO spokesman and as such during the seminar he emphasized the PLO proposals aimed at holding an international peace conference and accepting direct talks with the Israeli Government to put an end to the war. To this end, the PLO demands the withdrawal of Israeli forces from the territories occupied since 1967, the return of the Palestine people to their own land, and the inalienable right of the Palestine people of self-determination.

The following is a summary of the long interview that Zehdi Terzi granted to NOTICIAS ARGENTINAS:

[NOTICIAS ARGENTINAS] [Words indistinct] relations between the PLO and Argentina?

[Terzi] Our relations with Argentine representative are very good, both within the Nonaligned Movement and at the United Nations. We might say that our relations are marked by personal and friendly, rather than formal, contacts. Yet we believe that now we have to improve our bilateral relations even further. We gratefully acknowledge the support Argentina has extended to the efforts to reach an overall settlement in the Middle East conflict and to the Palestine cause whenever such issues were voted on at the United Nations. We believe, however, that our relations should now be based on more concrete facts. We are aware of the difficulties this would entail for Argentina, and we do not want to cause any problems. Yet we would like to take concrete steps to improve our relations.

[NOTICIAS ARGENTINAS] What does the PLO think of Argentina becoming a UN Security Council member?

[Terzi[ As a UN Security Council member Argentina has, let us say, more specific responsibilities. Since the Middle East conflict is an almost ever-present topic in the UN Security Council's agenda, we believe that if we have formal and direct relations with Argentina, that is, if we can cooperate with the Argentine Government, we will be serving the interest of peace and we will be improving bilateral relations.

[NOTICIAS ARGENTINAS] Did the PLO support Argentina's candidacy for a seat on the UN Security Council?

[Terzi] Of course, Argentina has lent significant support to the Palestinian cause. Therefore, we supported Argentina's candidacy within the movement of Arab countries to which we belong. Argentina has taken a clear stand against racism, apartheid, and imperialist ambitions, and has advocated the elimination of all forms of colonialism. The PLO regarded the Argentine candidacy as a step forward by a member of an independent movement, and also as a step that will favor the oppressed. The UN Security Council considers that Israel has been illegally occupying Palestinian territories since 1967. We know that Argentina will insist on and demand the end of the occupation of those Palestinian territories.

[NOTICIAS ARGENTINAS] Are negotiations being held to open a PLO diplomatic mission in Buenos Aires?

[Terzi] I would say first that Argentina has recognized the PLO as the legitimate representative of the Palestinian people. This is a fact. Argentina has always voted for our resolutions. Yet we want, and we hope to establish, bilateral diplomatic relations. We hope Argentina will some day agree to establish diplomatic relations, but we do not want to impose it. Argentina will say when we can establish bilateral relations.

[NOTICIAS ARGENTINAS] Foreign Minister Dante Caputo reportedly analyzed the issue during his last visit to New York, is that correct?

[Terzi] When Minister Caputo visited New York, at the Argentine Embassy in that city he met with Mr Qaddumi, who is our foreign minister, although he is not the usual type of foreign minister. This shows that it is easy for us to get along with each other. That's all I can say.

[NOTICIAS ARGENTINAS] Will the PLO designate a Palestinian native or an Argentine of Palestinian descent to head the PLO office in Buenos Aires?

[Terzi] Either is possible. I don't mean to hurt the feelings of Argentine-Palestinian citizens, but I should say that it is a PLO policy to send its representatives from its own headquarters. Yet I reiterate that either way is possible.

[NOTICIAS ARGENTINAS] Could you sumarize this panel discussion by telling us the PLO's last work, or "new word" on the Middle East conflict?

[Terzi] The PLO deals with real facts. A war has been under way for 40 years, there have been thousands of victims and millions of dollars have been spent and lost. We wonder how much longer this region will be able to live in a state of war. The time has come for us to put an end to war and achieve peace. There are some preconditions to be met first, however, because how can we believe that peace can be achieved if half the Palestinian people are outside their own land and are denied the right to self-determination?

Through the United Nations [words indistinct] we are sponsoring an international peace conference at which all sides could be represented, including the Arab nations that are parties to the conflict and also Israel.

The conference must be attended by both sides, that is, Israel and the PLO -- which has been recognized as the legitimate representative of the Palestinian people not only by the Palestinian people themselves but by the United Nations as well. We believe that the UN Security Council is the best forum, if not the only one, for this conference to meet. This shows the responsibility being placed on the security council. We believe that the full members of the security council should promote the search for peace in the Middle East and that the 10 remaining members should help organize the conference. That is why we believe that Argentina, as a member, should play a role in the search for peace.

## BRIEFS

UNDERSECRETARIES NAMED -- Buenos Aires, 19 Jan (DYN) -- Argentine Livestock and Fishing Secretary Ernesto Figueras today installed Carlos Maria Valerga and Ruy the Villalobos as livestock and agrarian undersecretaries, respectively. [Excerpt] [Buenos Aires DYN in Spanish 1516 GMT 19 Jan 87 PY]

PROMOTION SECRETARY RESIGNS -- (NA-DYN) -- Growth Promotion Secretary Norberto Bertaina submitted his resignation yesterday amidst indication that his department will be scrapped since the state holding company under Enrique Olivera makes any further state watchdog redundant. Bertaina replaced Manuel Tanoira in the post when he resigned almost two years ago. [Text] [Buenos Aires BUENOS AIRES HERALD in English 28 Jan 87 p 11 PY]

TROTSKYIST PST FOUNDER DIES -- Buenos Aires, 26 Jan (NA) -- Workers Socialist Party (PST) founder and Movement to Socialism (MAS) leader Nahuel Moreno died of a heart seizure at the age of 62 yesterday. Moreno, whose real name was Hugo Bressano, was a renowned Trotskyist leader and author of several books on Argentine history, logic and Marxism. He was also a member of the Fourth International. A ceremony in honour of the political leader has been organized for today at the Boxing Federation. [Text] [Buenos Aires BUENOS AIRES HERALD in English 26 Jan 87 p 7 PY]

UMOPAR ARRESTS DRUG TRAFFICKERS RING IN CHIMORE

PY221949 La Paz PRESENCIA in Spanish 8 Jan 87 p 9

[Text] According to a report released by the Narcotics and Dangerous Drugs Department, six drug traffickers were arrested yesterday in Chimore and some 7 kg of cocaine sulphate and firearms were seized.

The report states that another 19 drug traffickers were arrested in the town of "Senda Tres" and sent to the district attorney's office to continue the investigations.

The note states that the following police operations were carried out:

-- In an operation carried out in the town of San Isidro, 2.5 kg of hydrated cocaine base sulphate were seized and Umopar [Mobile Units for Rural Areas] forces arrested Jose Gabriel Molina Vazquez and Hugo Molina Vazquez.

-- During a dragnet operation carried out through Mariposa, Senda Seis, Ivirgarzama, Valle Ibirza, Vueltadero, Colonia Bolivar, and Senda 2 de Marzo, a Mauser rifle, which is in good condition, and 90 7.56-mm cartidges were seized.

-- In Vueltadero, 1 kg of hydrated cocaine base sulphate was seized and Florencio Claros was arrested.

COCAINE SEIZED, DRUG TRAFFICKERS ARRESTED

PY220157 La Paz PRESENCIA in Spanish 10 Jan 87 p 11

[Text] A drug trafficker who was carrying 26 kg of pure cocaine was arrested in Yapacani by personnel of the Santa Cruz Departmental Directorate for the Control of Dangerous Substances.

The man, Alfredo Cespedes Vaca, is being held by the police pending an investigation and legal action.

The National Directorate for the Control of Dangerous Substances report indicates that the police seized 36 bottles containing 90 cubic centimeters of chemical products used to produce cocaine. The bottles were seized at the Santa Cruz railroad station.

The report says tht the chemical substances were brought in through the border town of Yacuiba.

It has also been reported that 11 cocaine factories were destroyed during the dragnet operation conducted in the areas near Teerazama, Ishinoto, Isiboro, Samosabeti, and Manuelo.

The police also seized 7 kg of cocaine base and material to produce cocaine.

The report indicates that during an operation in Colonia Vill a Nueva the police confiscated 2.5 kg of cocaine and arrested Edgar Gonzales Llave and Federico Condori Colque.

The report concludes that the Cochabamba Departmental Directorate for the Control of Dangerous Substances yesterday requested the public burning of 440.95 kg of cocaine base and 29.18 kg of cocaine hydrochloride.

SENATE ORDERS SUSPENSION OF 13 DISTRICT JUDGES

PY300154 Paris AFP in Spanish 0709 GMT 28 Jan 87

[Text] La Paz, 27 Jan (AFP) -- It was officially reported here today that the Senate Constitution and Justice Committee has ordered the immediate suspension of 13 judges of the La Paz, Cochabamba, and Santa Cruz district courts for wrongdoings in drug trafficking cases.

This information was supplied by Senate President Ciro Humboldt Barrero, who emphasized the Senate's interest in achieving better justice administration, especially concerning crimes involving drug trafficking.

The Supreme Court disagrees with the removal of judges by the Senate, claiming that the accused judges must first be tried by the Supreme Court.

In turn, Humboldt said that this is a delaying tactic because such a trial would last more than 2 years.

COCHABAMBA ATTORNEY DISCUSSES DRUG PROBLEM

PY221927 Paris AFP in Spanish 1439 GMT 22 Jan 87

[Text] La Paz, 22 Jan (AFP) -- Cochabamba District Attorney Rene Santa Cruz today stated that drug trafficking in central Bolivia has increased during the past few months and especially since the beginning of 1987.

Santa Cruz pointed out that since 1 January more than 100 kg of cocaine have been seized and 103 people have been arrested. These people, who were involved in cocaine processing and trafficking, are now at the disposal of the courts.

Santa Cruz added that police and court actions have increased but that increased drug trafficking activities have rendered those actions almost ineffective.

In conclusion, Santa Cruz stated that the authorities in Cochabamba and in the Chapare region -- the main producer of coca leaves and cocaine sulphate -- have asked for increased support to combat and destroy this illegal activity.

CUBAN EMBASSY SPONSORS CULTURE WEEK IN LA PAZ

PY261810 La Paz La Red Panamericana in Spanish 1130 GMT 26 Jan 87

[Text] An exhibition of Cuban stamp collection, books, posters and photographs will open at the Municipal Cultural Institute at 1900 today.

The exhibition is part of the Cuban Culture Week sponsored by the Bolivian-Cuban Friendship Cultural Institute, and the Cuban Embassy. The organizers have announced that several videos on Cuban life will be shown during the exhibition which will be open to the public for 2 weeks. The videos include a concert of Cuban writer and composer Pablo Milanes, the activities of the Cuban National Ballet with Prima Balerina Alicia Alonso, and a documentary on Cuban tourist attractions and historic monuments such as Trinidad which is one of the oldest colonial cities in the Caribbean.

Another Cuban cultural activity is the book exhibition that will open at the Engineering School today. There will also be a ceremony honoring Cuban national hero Jose Marti at the university central hall at 1900 on 28 January.

SODRE DENIES REPORTS OF INVITATION TO CASTRO

PY292142 Paris AFP in Spanish 0339 GMT 29 Jan 87

[Text] Brasilia, 29 Jan (AFP) -- Brazilian Foreign Minister Abreu Sodre today stated that it is only natural that someday President Castro will visit Brazil, and that President Jose Sarney will go to Cuba. Nevertheless, for the time being there is nothing concrete, Abreu Sodre explained.

At the invitation of Cuban Foreign Minister Isidro Malmierca, Sodre will make an official visit to Cuba on 16 March 1987.

Sodre today denied reports by the Brazilian press that during his visit to Cuba he would invite Castro to visit Brazil.

Brazil and Cuba resumed diplomatic relations in June 1986, after a 21-year hiatus. Last week, Communications Minister Antonio Carlos Magalhaes was the first Brazilian minister to visit Cuba after relations were resumed. Magalhaes discussed with the Cuban officials issues concerning bilateral cooperation in the telecommunications field.

PARIS CLUB AGREEMENT FACILITATES PETROBRAS LOAN

PY291829 Rio de Janeiro Rede Globo Television in Portuguese 0125 GMT 29 Jan 87

[Excerpt] The Brazilian agreement with the Paris Club has already produced positive results. In late March the Brazilian Government is going to sign a $300 million loan agreement for Petrobras with the Japanese Eximbank. The decisive step was taken today during the meeting held by Planning Minister Joao Sayad with Eximbank President (Michil Nakayama). The agreement with the Paris Club was reached with the assistance of the U.S. Government. [passage omitted]

LOWER CHAMBER PRESIDENCY RACE IN DISPUTE

PY272004 Sao Paulo Radio Bandeirantes in Portuguese 1500 GMT 27 Jan 87

[Text] The federal government is having difficulty in making sure its candidate wins the election for president of the Federal Chamber of Deputies on 2 February. Ulyses Guimaraes and Fernando Lira are fighting a neck and neck campaign. Planalto Palace candidate Ulyses Guimaraes would hate to see Fernando Lira win because this deputy from Pernambuco State would occupy the presidency of the country if Sarney becomes sick or has to travel. According to officials close to the Planalto Palace that possibility would be unthinkable.

FUNARO OPPOSED TO DOUBLING MINIMUM WAGE

PY231817 Brasilian Radio Nacional da Amazonia Network in Portuguese 0900 GMT 23 Jan 87

[Excerpt] Finance Minister Dilson Funaro is against doubling the minimum wage. He said that the increase would harm the Brazilian economy, which is very heterogeneous. According to Minister Funaro, in some Brazilian regions in the private sector has no means to pay such a steep increase in the minimum wage. Funaro emphasized that 37 percent of the national payroll consists of minimum wages. Therefore, if the increase is granted, it will promote an inflationary process. [passage omitted]

LABOR MINISTER REPORTS FAILURE OF SOCIAL PACT TALKS

PY231911 Rio de Janeiro Rede Globo Television in Portuguese 0125 GMT 23 Jan 87

[Interview with Labor Minister Almir Pazzianotto by correspondent Leonel da Matta on 23 January in Brasilia. -- live or recorded]

[Text] During a 10-hour meeting that ended at midnight, Labor Minister Almir Pazzianotto, businessmen, and labor leaders unsuccessfully tried to reach an accord on prices and salaries. Thus, the effort to reach a social pact has failed. The only result of the meeting was a decision to hold a fourth round of talks next week. Correspondent Leonel da Matta filed this report from the Labor Ministry in Brasilia:

[Begin recording] [Da Matta, in progress]... The meeting here in Brasilia yielded no results because workers and businessmen could not reach an accord. The main point of disagreement focused on the readjustment of salaries and prices. We will now talk with Labor Minister Almir Pazzianotto, who will tell us why the negotiations failed.

[Pazzianotto] It was predictable that employers and employees would have considerable difficulty in reaching an agreement on some topics. For example, the employers asked the employees to agree to a readjustment of approximately 25 percent on the prices that were in force on 28 February 1986. The workers studied the request and, after a comprehensive analysis, rejected it. They pointed out, however, that the employers can and must submit the issue for consideration by the government.

[Da Matta] Mr Minister, the government will have to adopt some economic measures. Wouldn't that hinder efforts to reach an accord?

[Pazzianotto] I don't think so, because from the very beginning the parties involved have clearly understood the urgency of some of those measures. These measures should have already been decreed to help the economy, the consumers, the workers, and the productive sector, which is essential for our country. We engaged here in a dialogue that continued for as long as necessary, because there was no time limit, but when no accord can be reached, the only option for the government is to govern and take action. The government must make the decisions not agreed upon at the negotiating table. [end recording]

ITAMARATY, HEALTH MINISTRY TO BE REORGANIZED

PY221827 Brasilia Radio Nacional da Amazonia Network in Portuguese 0900 GMT 22 Jan 87

[Lourival Macedo]

[Text] Administration Minister Aluizio Alves yesterday handed President Sarney decrees for the administrative reorganization of Itamaraty and the Health Ministry.

Minister Alves said that the government will close 19 consulates abroad and eliminate nearly 20 coordinating offices and departments of the Foreign Ministry. Minister Alves detailed which offices will be closed and how much the government will save by closing them.

[Begin Alves recording] The government will close 15 career consulates abroad, and 4 honorary consulates. It will also reorganize the Foreign Ministry internally, closing almost 20 coordinating offices, advisory offices, and departments. This will represent a savings of 16 million cruzados and $18 million.

In addition to the reorganization of Itamaraty, the closure of 23 state offices and 5 regional organizations of the Health Ministry has been approved. Their services have been centralized in a Coordinating Secretariat which will later transfer the services to the county and state organizations. By closing these offices, the government will save 53 million cruzados, 11 million of which will be spent in the creation of the Coordinating Secretariat. Thus 42 million cruzados will be saved in 1987. [end recording]

Minister Aluizio Alves also announced that the personnel working at the offices and departments to be closed will be transferred to other offices in need of personel.

GOVERNMENT CREATES 2 NEW COMMUNICATION AGENCIES

PY222213 Paris AFP in Spanish 1425 GMT 22 Jan 87

[By Alberto Carbone]

[Text] Brasilia, 22 Jan (AFP) -- Brazilian President Jose Sarney today put into operation a new and powerful social communication organization with the objective of improving the image of his government. Sarney signed two decrees creating the special Communication Secretariat of the Federal Administration [Secretaria Special de Communicacion de la Administracion Federal -- SECAF] and the Presidential Press Secretariat [Secretaria de Prensa de la Presidencia -- SPP] which will report directly to the president.

The SECAF will coordinate all the government's communication policies. An adviser of the Planalto Palace, the federal government headquarters, explained that the SECAF will draw guidelines.

SECAF's main role will be to rebuild the government's image. This is an initiative that is not in harmony with democratic institutions, said Carlos Castello Branco, a columnist of the prestigious daily JORNAL DO BRASIL.

The new organization will have the task, among other obligations, of allocating the official media budget for publicity campaigns. This system was used during the military regime from 1964 to 1985. With the coming of the New Republic, a decision was made to give autonomy to the state enterprises so they could manage their own publicity budgets, but Sarney now decided to return to centralization.

SECAF will convey the government's message to the public through the Brazilian media, and it will do so in a coordinated manner. According to the latest official statistics, in 1982 there were 322 dailies with a circulation of almost 1.6 million copies. There were 1,709 radio stations and 129 television stations (six networks and independent stations) with 4,457 relay stations.

SECAF will be run by journalist Getulio Bittencourt, one of the editors of GAZETA MERCANTIL, a daily for businessmen published simultaneously in Sao Paulo, Rio de Janeiro, Porto Alegre and Salvador.

The SECAF director will have a select group of people to work with: Antonio Frota Netto, presidential spokesman and now the SPP director; Jorge Murad, who is Sarney's son-in-law; former presidential spokesman Fernando Cesar Mesquita; and presidential technical advisers Virgilio Costa, Joaquin Campelo (who writes Sarney's speeches), and Luiz Gutemberg.

SECAF is an organization with a wide range of activities, but not as many as was believed 2 weeks ago when it was feared that it was also going to take control of EBN (the official Brazilian news agency), the radio and television network Radiobras and Funteve, Fund for Financing Educational Television.

EBN transmits from 40,000 to 50,000 words daily to 500 Brazilian press, radio, and television clients who must only pay for the transmission. It also supplies facsimile services.

EBN has 700 employees with 23 offices (one in each capital of each state) and it has signed exchange contracts with agencies such as ANGOP (Angola), LUSA (Portugal), DPA (FRG) and TASS (USSR). It is now negotiating agreements with XINHUA (PRC), PRENSA LATINA (Cuba) and IPS [Italy].

EBN is under Justice Ministry control. That ministry is headed by Paulo Brossard, a veteran member of the majority Brazilian Democratic Movement Party (PMDB). When rumors that EBN was going to be under Bittencourt's control circulated, Paulo Brossard went to see Sarney. Mr President, are you going to take EBN away from me? Brossard asked Sarney, according to a source who wanted to remain anonymous. However, Sarney denied that possibility, added the source.

The decree, which was signed today, explained that SECAF only coordinates the information policies of the official organizations.

Radiobras has 1,000 employees, 7 television networks and 32 radio stations and in under the Communications Ministry, headed by Antonio Carlos Magalhaes of the Liberal Front Party (PFL). Magalhaes, just like Brossard, also talked with Sarney in an attempt not to lose control over Radiobras.

PFL and PMDB make up the government coalition, the Democratic Alliance. During the 15 November elections, the PMDB became the majority party by winning 22 of the 23 governorships (one was won by the PFL) and will enjoy the absolute majority in the future constituent assembly in the Chamber of Deputies and the Senate.

Funteve has two television educational channels under the jurisdiction of Education Minister Jorge Bornhausen, who is the man picked by Marcos Maciel, chief of the presidential household. They are both PFL members. Until today, Maciel was responsible for the government's communication policies through an ad hoc department that was dissolved upon the creation of SECAF. The November elections weakened Maciel's position as a result of the defeat of his candidate for the governorship of Pernambuco State and the general failure of the PFL.

The second pillar of Sarney's communication policies will be the SPP, which has been entrusted to Frota Netto. The mission of the SPP will be to maintain a professional dialogue with the press, a task for which Frota Netto is more than qualified, according to the reporters who cover the presidential scene daily. On 16 December Frota Netto replaced reporter Fernando Cesar Mesquita as interim presidential spokesman.

## BRIEFS

1986 STEEL PRODUCTION -- Rio de Janeiro, 9 Jan (AJB) -- The Brazilian Iron and Steel Institute (IBS) today reported that during 1986 Brazil produced 21,234 tons of unfinished steel. This represents a 3.8-percent increase. The rolled steel production totaled 15,668 tons during 1986 compared with 14,532 tons in 1985. This represents a 7.8-percent increase. [Excerpt] [Rio de Janeiro AJB in Portuguese 1649 GMT 9 Jan 87 PY]

LIEUTENANT INVOLVED IN ROJAS KILLING RELEASED

PY300043 Santiago Domestic Service in Spanish 2200 GMT 29 Jan 87

[Text] Army Lieutenant Pedro Fernandez Dittus has been released on bail. He is the only person to be indicted for involvement in the incident on 2 July 1986 in which Rodrigo Rojas Denegri and Carmen Gloria Quintana Arancibia were set on fire.

Fernandez Dittus was held in preventive custody for 6 months at the 'Libertadores' Armored Cavalry Regiment on suspicion of perpetrating unnecessary violence, causing the death of Rojas Denegri, and seriously injuring Quintana Arancibia.

Lt Fernandez was released after paying 5,000 pesos bail after a ruling by trial military prosecutor Erwin Blanco. This ruling became possible after the prosecutor changed the indictment, qualifying the crimes as quasi-homicide and quasi-serious injuries.

Both the change in the indictment and the release on bail were the result of negotiations conducted by defense attorney Carlos Cruz (Coque). Hector Salazar and Luis Toro, attorneys representing the victims, have announced that they will appeal both rulings to the military court.

ANALISIS DIRECTOR CARDENAS CONVICTED OF SLANDER

PY291846 Santiago Domestic Service in Spanish 1600 GMT 29 Jan 87

[Text] Juan Pablo Cardenas, director of the magazine ANALISIS, was convicted by the Lower Court to serve a 3-year sentence in a special privilege prison (presidio menor) on charges of slander against the president of the Republic. The decision was handed down by Santiago Apellate Court Judge Leonel Beraud.

The procedings started in mid-1986 when the metropolitan intendant filed charges against Cardenas for violations of the State Security Law. The judge has granted Cardenas the special privilege of serving the sentence with night confinement only. The slander against the head of state was committed in five editorials written by Juan Pablo Cardenas in five different editions of the magazine during 1986. The journalist's defense lawyer announced that they will appeal the sentence before the Santiago Apellate Court.

SUPREME COURT CONFIRMS PHYSICIANS' INDICTMENT

PY280204 Santiago Radio Chilena in Spanish 2200 GMT 27 Jan 87

[Excerpt] The Supreme Court today confirmed the indictment of physicians Ramiro Olivares, Ramon Rojas Beltran, and Juan Macaya under the antiterrorist law in the trial being heard by ad hoc Military Prosecutor Fernando Torres involving the attack against the Lautaro bakery.

In a 5 to 1 vote, the Supreme Court agreed to change the indictment of the attorney of the Vicariate of Solidarity, Gustavo Villalobos. [passage omitted]

## Physician's Protection Sought

PY280216 Santiago Radio Chilena in Spanish 2200 GMT 27 Jan 87

[Excerpt] The Vicariate of Solidarity has filed with the courts a petition for the protection of physician Ramiro Olivares after thousands of pamphlets, linking the physician to the FPMR [Manuel Rodriguez Patriotic Front], appeared this morning throughout downtown Santiago.

This information was given to Radio Chilena by the physician's wife, Mireya Castro. Olivares was arrested following the killing of Carabinero Miguel Vazquez Tovar.

The Plaza de Armas, the Forestal Park, and several downtown streets at dawn were virtually covered with thousands of pamphlets which are of excellent quality paper professionally printed.

The pamphlets state that the FPMR allegedly supports Ramiro Olivares, a physician working for the Vicariate of Solidarity, and Hugo Gomez Pena, who was involved in the attack on a bakery in which Carabinero Vazquez Tovar was killed. [passage omitted]

## FPMR ACTIVISTS ON FURTHER ACTIVITIES, PINOCHET ATTACK

PY261854 Madrid EFE in Spanish 0217 GMT 26 Jan 87

[Text] Santiago, 25 Jan (EFE) -- The armed Manuel Rodriguez Patriotic Front (FPMR) group has said that it could possibly perpetrate another attack against Chilean President Augusto Pinochet.

Five FPMR members talked to journalist who visited them in an unspecified prison. They said that the group means "to be active" during the visit of Pope John Paul II to Chile in April.

The newspaper LAS ULTIMAS NOTICIAS today published a report of a "news conference" granted by the FPMR in the gymnasium of the prison during a normal visiting day. Their names were obviously not revealed.

The report claims that one of the prisoners, who is not older than 25, said that "they claim the right to perpetrate another attack against the president." He added that the decision did not depend on them, but on the national FPMR directorate, which is considered by the military regime to be the armed branch of the Chilean Communist Party.

The newspaper adds that the FPMR prisoners, who called themselves "combatants," said that combat includes everything from the dissemination of pamphlets to "more advanced action," with the purpose of "making the pope see that the Chilean people are not passive."

The five FPMR members said that "all actions and appeals were made in the name of the Chilean people and according to their needs, and that this was now the level of combat."

When journalist asked how they knew that the people agreed with them and how they knew of their needs, the five said that they were not an exclusive group, merely part of the people.

They said that the news conference was supposed to have been granted by the prisoners involved in the case of the arsenals, but that they were being held incommunicado by the military prosecutor because the day before they refused to answer questions during an interrogation.

The case of the arsenals refers to the arms deposits discovered by intelligence service in August 1986 on northern beaches, some 700 km from Santiago. The arms were related to the unsuccessful attack on General Augusto Pinochet on 7 September 1986, in which five of his bodyguards died.

According to the newspaper, the prisoners said that they do not recognize the legitimacy of the military courts to judge them and added they will not cooperate in the planned reconstruction of events. The reconstruction is being planned by the military prosecutor with those involved in the arsenals case.

When asked if the FPMR was the "armed branch of the Chilean Communist Party," they answered that they were "the armed branch of the people."

The news conference was recorded on a cassette by one of the participants. Representatives of the Peronist Youth, the Argentine Communist Party, the World Federation of Democratic Youth and the Netherlands Labor Youth were also present.

4,020 TEACHERS DISMISSED; REPERCUSSIONS NOTED

PY270118 Santiago Radio Chilena in Spanish 2200 GMT 26 Jan 87

[Text] According to a press communique issued by the teachers association, which daily releases a detailed report on this situation, more than 4,000 teachers have now been dismissed throughout Chile.

Thus far, the most teachers -- 1,120 -- have been dismissed in the Metropolitan Region. The 5th region follows very closely with 1,090. The teachers association has reiterated that it will continue its struggle to have these massive dismissals stopped immediately and have those people dismissed unconditionally reinstated. The teachers association stated that it has requested an audience with the education and interior ministers, who ordered the dismissals.

Thus far, a total of 4,020 teachers have been dismissed, surpassing the 4,000 minimum established by Education Minister Sergio Gaete.

The teachers association has called a meeting at the teachers building for tomorrow at 1900. This will be the first meeting of dismissed teachers of the Metropolitan Region. Also at the teachers building, a massive hunger strike will begin at 2100. The hunger strike will end on Wednesday at 2100. Similar actions will be held throughout the country.

NATIONAL RIGHTIST COALITION ATTEMPT DISCUSSED

PY300201 Santiago Radio Chilena in Spanish 1600 GMT 29 Jan 87

[Text] There have been several reactions to the initiatives of the National Union [UN], which has called upon all rightist sectors to unite and form a single political party. The Sergio Onofre Jarpa-led National Labor Front and the Jaime Guzman-led Independent Democratic Union [UDI] have supported the initiative.

However, large rightist sectors have said they will not join the coalition, warning that they will not because they are democrats and refuse to join those who, in one way or another, are involved with the government of General Augusto Pinochet.

Under these circumstances, it is interesting to know the opinion of other sectors on the new rightist coalition. We have remarks by Christian Democratic Party leader Adolfo Saldivar.

[Begin Saldivar recording] Rather than the unity of the left, what we are witnessing here is the unification of the rightist sectors that support General Pinochet. In fact, the call by the National Union has resulted in the merger of those who have given political backing to the regime. I believe that everyone knows that over the past 13 or 14 years, Mr Jarpa and his followers, and Mr Guzman and Mr Sergio Fernandez and their followers within the UDI and the National Union have been the political spokesmen for the regime. They have designed the regime's economic policy, also known as the Chicago boys' policy; they have designed the regime's misnamed public order policy. For example, Mr Sergio Fernandez, who is a prominent UDI leader, is responsible for thousands and thousands of Chilean exiles. [end recording]

However, Saldivar believes that some issues that concern the Chilean rightist sectors deserve special consideration.

[Begin Saldivar recording] It would be interesting to see whether the right can once again return to the principles with which it won recognition in our country.

I believe that if the right wants to play a democratic role in our future, it should unite behind the principles of public order, of economic order, of the state of law, of respect for individuals, of the preservation of freedom, and of the preservation of human rights. Through their support of this dictatorship, the rightist sectors that have united behind Allamand, Jarpa, and Guzman have relinquished those principles in exchange for scraps. I believe the great traditional Chilean right of the Conservative and the Liberal Parties knows that the genuine right is represented by other sectors, by Republican and Liberal Party leaders, and, above all, by National Party leaders. [end recording]

## COPPER ENTERPRISES TO REMAIN UNDER STATE CONTROL

PY281908 Santiago Radio Chilena in Spanish 1600 GMT 28 Jan 87

[Text] Mining Minister Samuel Lira Ovalle today announced that in keeping with the president's orders, Codelco [Chilean Copper Corporation] and the National Mining Enterprise [ENAMI] will not be privatized.

The mining minister made this announcement during a meeting with Union Leader Guillermo Medina, who is the labor representative for the El Teniente copper mine and a member of the council of state. Lira said that, in keeping with presidential orders, Codelco will not be transferred to the private sector because of the relevant role it plays in the national economy. The mining minister asserted that workers have no reason to be concerned about ENAMI which will not be privatized because of the contribution it makes to the small and medium-sized mining sector.

Union Leader Guillermo Medina said that the reply given by the mining minister will give confidence to miners who are concerned about the future of the large Chilean copper sector.

## FEBRES CORDERO DISCUSSES ECONOMY, POLITICS

PA251206 Mexico City XEW Television Network in Spanish 2130 GMT 24 Jan 87

[Report on interview with President Leon Febres Cordero by Mexican journalist Jacobo Zabludovsky of the ECO NOTICIAS AGENCY at the Government Palace in Quito "shortly before the recent tragic events" -- with recorded portion]

[Excerpt] [Zabludovsky] Although during his first year in power, Leon Febres Cordero was capable of projecting an image of political and economic stability in Ecuador, his situation has now become greatly complicated. He is a wealthy Guayaquil businessman, a professional engineer, an expert marksman -- he always carries his Colt .45 -- and now Febres Cordero is confronted by a deep political and economic crisis.

There have been political problems during his presidency ever since the confusing second round of presidential voting. The candidate of the Democratic Left, Rodrigo Borja, won the first round, although he did not garner the absolute majority demanded by the Constitution. In spite of this controversy, things seemed to be going well for Febres Cordero at the beginning of his presidency.

However, last March, it became evident there were deep political problems resulting in the military revolt led by the charismatic and popular Air Force General Frank Vargas Pazzos. Vargas claimed he rebelled against the Febres Cordero government because of the alleged corruption of high-ranking Army officers.

Although a state of siege was ordered, and the press was controlled to the point where some publications were canceled, the rebellion was quelled relatively easily. However, the Ecuadoran president paid a very high political price when Vargas was sent to prison.

A few days ago, President Febres Cordero was kidnapped by a group of military men. They demanded the release of Gen Vargas in exchange for Febres, the president yielded to the pressure. Now the political situation of Ecuador has taken an unexpected turn.

[Begin recording] [Zabludovsky] We are here in the Government Palace in Quito, Ecuador. Mr President, Leon Febres Cordero, thank you very much for receiving us here.

[Febres] Thank you for offering me this opportunity to address the Mexican people and several Latin American communities in the United States, and to exchange opinions regarding current events.

[Zabludovsky] What we seek with this interview is to learn more about the Ecuadoran and Latin American problems in general. We feel that we Latin Americans are somewhat out of touch.

[Febres] Yes, that is a fact. I would dare say that we are not only somewhat out of touch, but that many times there is much disinformation about what is happening in Latin America. It is necessary for the Latin American communities, the Mexican people, the Central American peoples. and the South American peoples to learn more about the truth of what is happening in our respective countries. They must be kept duly informed.

[Zabludovsky] Well, those are our plans. Let us discuss a topic that is common, south of the Rio Bravo, the problem of the foreign debt. How do you think Ecuador can meet its debt payments?

[Febres] The problem of the debt, per se, is a very serious problem. It not only creates a very heavy burden on the debtor nations' budgets, but also most of the debt was used irresponsibly to finance budget deficits and not for building up the productive infrastructure of the respective countries. If the money that constitutes the debt today would have been used to make the countries produce more to improve the standard of living of the people, there would not be much of a problem in servicing the debt. However, it was not used for those purposes, but instead was mainly used for political, demagogic, even evil purposes -- I would dare say -- and since our economies have not improved as a result of the use of that debt, servicing the debt today becomes a burden that is almost impossible to accept. I do not think the debt problem should be generalized by forming a debtors club or that the debt should not be paid. I respect those ideas. I think the right to dissent is a fundamental right. Therefore, I listen, discern, and disagree.

At least for my country, for the administration I have the honor of presiding over, the problem of the debt is a problem of honor. Nobody imposed that debt on us. Instead we asked for the money, and if we misused it, we are responsible. We must maintain the country's prestige, not only from an ethical and moral point of view, but also because the country needs additional credits. If we adopt such a radical position of saying we will not pay, nobody is going to lend us anymore money. Since we do not have enough capital to develop our fatherland, we need foreign capital, through credits or investments.

Each country must rationally analyze its debt problem, and must negotiate it according to its possibilities. That is what we did. We did not wait for the IMF to try to impose conditions on us, or the World Bank to tell us how we should handle the Ecuadoran economy, or for the IDB to tell us anything. To tell you the truth, they have never tried -- at least, not with me -- anything like that. We were prepared to take over the presidency. We have been involved in politics all of our lives. We were aware of the country's serious economic crisis and we designed a plan to restructure the economy. We took the initiative, went to the multilateral institutions of international financing, the IMF, and we told them what we could do. This is all we can do. Take it or leave it. Inasmuch as they considered our plan rational, they supported it, and consequently, the government was able to refinance its debt.

Unfortunately, a catastrophe for Ecuador then took place: the dramatic and sudden drop in oil prices. That drop has created very serious problems for us. Today we are again conversing with our creditors -- private and international development organizations -- to find a solution that will not entail, my distinguished friend, more hunger and problems for the Ecuadoran people.

[Zabludovsky] Mr President, where does one draw the line between causing hunger and honoring a commitment?

[Febres] That is an interesting question, because it involves several answers. I would return first to my argument. This comfortable stand of refusing to pay is -- politically speaking -- a very attractive one, but in practice, it is inappropriate.

Unless the country that dares to take that stand -- and I respect that stand -- has the ability to continue to finance its development without any foreign credit, taking that stand is suicidal. Consequently, this is a sort of business deal: to seek, to achieve the best conditions, but always bearing in mind that paying that debt of honor, of dignity, does not mean one has to ruin the people. It must be a solution agreed upon by debtors and creditors alike. If there is not a consensus in criteria, there can be no payment. Otherwise, it is a struggle that does not lead to anything.

[Zabludovsky] A few minutes ago, you referred to the misuse of past loans. You presented a picture of incompetence or corruption. Were you referring to Ecuador, or were you generalizing regarding the various countries in Latin America?

[Febres] I think that is a general concept. I do not like to use the word corruption because of ethics. I would like to say that, unfortunately, in Latin America during the last 40 years the old economic theories of (?Kings) had their value. No one should lessen the intellectual merits of Professor (?Kings). However, today, with the current complexities of the world, I think (?King's) theories are outdated. This business of reviving a country's economy by putting money into the public sector, this business of generating budget deficits to strengthen the country's economy has resulted in terrible inflation particularly for those who have less.

Under these (?Kings') concepts of an aggressive debt, we incurred this type of debt to finance budget deficits. The most rational thing to do would have been to apply what we statesmen refer to as the cook's economy: To live according to one's income. He who does not live according to his income will fail. That is what happened to us.

[Zabludovsky] What is your economic plan here in Ecuador, particularly in light of what you call the catastrophe, in other words, the drop in oil prices?

[Febres] I would have to define the economic plans of this government in two stages. First, before I took over the presidency, there was the stage when Ecuadoran oil was sold at approximately $26 per barrel, under which circumstances we practiced austerity in public spending. We were the only Third World country that had a government budget surplus in 1985; a surplus in the balance of payment which reduced inflation from 60 plus percent to 20 percent, established true prices, and put an end to subsidies. It was based on public spending austerity, on rationalizing the country's economy, and on assigning priorities to Ecuadoran projects that had to be initiated and concluded. Fortunately, that scheme worked beautifully, gave us excellent results, and -- by the way, thanks to the progress of that plan -- we have still been able to survive this terrible crisis resulting from the drop in oil prices.

We have now been forced to plan a second stage. This is now that the country is no longer receiving $26 per barrel of oil, but rather $7 or $12. That has resulted in a reduction of foreign currency of approximately $1.1 billion. We were exporting a total of $2.8 billion, and all of a sudden, we are deprived of $1.1 billion. This definitely disturbed our trade balance, balance of payments, and created very serious problems. In addition, the state budget, the national government, is no longer receiving 85 billion sucres. That is over one-third of the revenue of the national government.

This meant that all subsidies had to be canceled, and particularly the first one, the exchange subsidy. Since this country has been a rich country, an oil country, a country of abundance, it was believed that the Ecuadoran people could be given well-being by deceiving them through an unreal exchange rate, by subsidizing the exchange with the oil revenues. However, my distinguished friend, the revenues ended. When the revenues ended, we had to live according to the real situation. That is what we have adopted now, the real situation.

We have divided the national economy into sectors. The private sector has its revenue of foreign currency from its exports. It uses these revenues for its imports. They have to become self-sufficient. The public sector received revenues from two sources: oil exports, which have reduced considerably; and financing or revenues from foreign capital.

Part of what the state receives goes to promote the country's development; what is left over is used to pay the foreign debt. It is as simple as that.

[Zabludovsky] Yes, it sounds simple. In practice, I do not think it is that simple.

[Febres] No, it is complicated. You must understand that for a people to emerge from a crisis they must sacrifice. When a human being barely eats three times a day, one cannot ask him to stop eating once or twice. That would be starving him. That is where the capacity of the ruler comes into the picture. Beyond fearing that his political image will be marred, as I have had to fear, he must be willing to face his responsibilities to the country. I did not struggle to reach the Presidency to live in the pomp of power or satisfy my ego. I came to serve my fatherland, to give my fatherland -- through my experience and work -- what my fatherland had given me. Furthermore, regardless of what my opponents may say, I have a very clean conscience, I sleep 8 hours peacefully every night, because I know I am doing things responsibly, that I am doing them well, to serve my people, and that history will one day admit that.

[Zabludovsky] The international community, Mr President, already admits that in spite of the crisis, of the measures, democratic institutions have been strengthened here in Ecuador. Do you not believe, however, that the burden your people are carrying to surpass the crisis can destabilize this country?

[Febres] That problem is like a Damocles sword that we Latin American rulers have; not all of us, just some of us. Unfortunately, in the United States the concept of Latin American democracy is not well understood. They have 180 [as heard] years of democracy behind them that has consolidated their system. Therefore, I dare say, it is permanent. Not ours; we are Latins, distinguished friend. We are passionate, disorderly, even outrageous sometimes. We want to achieve well-being in just a jump. It is like the child who tries to climb up stairs by jumping three steps at a time, and before reaching the last step, he slips. That is what is happening to democracy in Latin America. However, I am aware that the Latin American peoples have finally reached the conviction that beyond all the evils of democracy -- because sometimes it is interpreted in a libertarian manner, and democracy is definitely not libertarian -- it is the best system. Man can make use of his inherent rights, including his freedom, as long as his freedom does not affect the interests of others or public ethics or morale.

Personally, I had problems, because a few months ago, an Armed Forces general -- one of those who have been left behind from the old coupist chapters of Ecuadoran history that is passionate, because the history of my country is passionate; we have had 156 years of republican life that is passionate and turbulent, it is violent -- tried to seize power. He was claiming an institutional defense of the Armed Forces branch that he represented. He received the answer he deserved from the other branches of the Armed Forces, of his own branch, of the Ecuadoran people, and of the national government. This will serve as an example so that these ambitious ones who do not want to understand that in this century, in a civilized country, one has to practice politics to reach power, and one has to achieve the people's respect, and one has to gain the votes of the people. One cannot reach power through force. They must learn their lesson and understand that one cannot play with the people's destiny.

[Zabludovsky] This case of the general that you mentioned, is it an isoloated case of a high-ranking government official or does it have to do with a high-ranking Army officer, or the Army itself?

He is a top Ecuadoran Air Force officer who tried to do something very serious by adopting a childish stance. This country has had to spill blood, just like Mexico, to achieve democracy, and the people will not allow the system to be taken out of their hands. It was not an institutional problem; it was a one-man problem.

[Zabludovsky] Is he in jail now?

[Febres] Yes he is.

[Zabludovsky] With all these problems and with the prevailing poverty in some sectors of Ecuadoran society, do you believe there are the necessary conditions for guerrillas or terrorism in Ecuador.

[Febres] My answer will surprise you: No. I have asked that same question many times, and I say: Why is there terrorism in France, where there is a high standard of living? Why is there terrorism in the FRG, where there is a high standard of living? Why is there terrorism in Italy and in the UK? I believe that even though poverty, injustice, and inequality may be sufficient reasons for causing a human being to rise in arms to recover his rights, our people are basically Christians, and they want peace and order. However, we have those leftist groups, which are always financed. We have an oil crisis in our country, but terrorist groups always have money; they are always receiving money from abroad. The terrorists are directed from abroad to change our democratic system by taking advantage of the situation that unfortunately exists here. I want to make something clear: fortunately, there are no guerrillas in Ecuador. I want to refer to some incidents of misinformation. There are no guerrillas in this country. What we have here are criminal terrorists. I lost one of my best friends, who was kidnapped. I ordered the assault to try to save him. Unfortunately, I lost him. However, at that time I could not think about my friendship with him. I had to think about Ecuadoran society. If I had not taken strong measures against terrorism at that time, terrorism would have spread all over. If I had added the economic crisis to this, I would have had a dangerous situation in my country. There are outbreaks of terrorism here that are linked to drug trafficking.

[Zabludovsky] Where is the financing coming from?

[Febres] That is a difficult question to answer. I would candidly tell you that even if I knew, I would not tell you.

[Zabludovsky] Could you tell me confidentially?

[Febres] Not even confidentially. These are things a head of state cannot say. By making a statement regarding the self-determination of peoples, I was forced to break international relations with a certain country, something I have regretted. Could you imagine what would happen if I made an accusation of that kind?

[Zabludovsky] Could you explain to us more about that?

[Febres] This leads us to a topic I am sure you will ask me about. It is the topic of Nicaragua. I have been saying that in Latin America, we have to put into practice the things we uphold every day. Latin Americans love to talk, and they are not very pragmatic. All Latin American countries, fron Rio Grande to Patagonia, uphold three basic principles in their foreign policies: self-determination, nonintervention, and the peaceful solution of problems. However, we do not put into practice these wonderful ideas. I insisted that one of the ways in which the Nicaraguan problem could be resolved would be through self-determination and the way to do it would be through a legitimate democratic election. As soon as I said those words, there was a violent reaction. The Ecuadoran [as heard] president was insulted, and since the president represents the country, I was forced to break the relations.

[Zabludovsky] How do you view the Nicaraguan and the Central American situation?

[Febres] It is a complex problem. I do not believe Contadora has yielded any practical results. The Ecuadoran stance is very clear. We are not backing either side. We are backing the Nicaraguan people. They have a right to chose their own government. They should be allowed to choose their government freely. As long as this is not achieved, there will be no peace in Central America. Other types of peace proposals will not solve the problem.

[Zabludovsky] There are other cases in which other Latin American countries cannot solve their problems through self-determination. What is your opinion on this?

[Febres] It is the same one. I am pleased to see that these countries are beginning to hold elections. It is a matter of time for the people to pressure and to choose their own form of government.

[Zabludovsky] I want to come back to the topic of terrorism in Ecuador. How are you fighting it?

[Febres] I am fighting it by enforcing the law, the full weight of the law, without exception. I am fighting terrorism by taking the initiative. I think this interview will put us both in trouble.

[Zabludovsky] Not me. [laughs]

[Febres] Terrorism has sprung up in countries with governments that have either chosen to ignore the problem or have decided it suited their political interests.

They have allowed the cancer to grow. I once said that terrorism and drug trafficking are crimes against humanity. That is why I have always kept up the fight against terrorism. We must prepare and support public forces so they can fight terrorism. We must also respect human rights, which is another complex problem, because when one fights terrorism and enforces the law, there are those who claim violations of human rights. But whose human rights are those? Those of the terrorists who have been punished by the law. However, when a policeman is killed, who claims violations of human rights? No one. The human rights issue is a source of concern for presidents. For me, human rights belongs to all. The law must be enforced.

[Zabludovsky] Do you think that Ecuadoran terrorist groups have connections with other groups around the world?

[Febres] Lately, yes. They are like tentacles. The tentacles are in charge of joining them. They want to form a common front. They want to take advantage of a crisis situation. We have been able to detect links between our terrorist groups and drug traffickers with other terrorist movements.

[Zabludovsky] I want to ask you about the oil issue. OPEC said that some of the agreements on prices and production levels were not complied with. Did Ecuador observe the agreements?

[Febres] It is difficult to say. Ecuador did the same as the other OPEC members. Ecuador did not take any responsibility and gave no excuses. Each country made its own decision according to its needs. A catastrophe resulted from all of this, and I hope we learn from it. We must decrease oil production, and assign quotas that take into account the country's reserves, its exploitation capacity, its needs, and its population. It is not fair for some countries to have large quotas and other countreis to have small quotas. We all have the same needs, because our citizens also have stomachs. Therefore, we support any plan that can find a solution to OPEC's problems.

[Zabludovsky] If the OPEC is not working, do you think another organization should be created?

[Febres] I would say new organizations would mess up the situation even more. I do support the idea that Spanish-American countries should have their own small OPEC, so we could form a common front within the large OPEC. I like that idea.

[Zabludovsky] Basically, they would be Mexico, Venezuela, and Ecuador?

[Febres] And other countries such as Colombia, which is already exporting oil. That is, all countries that can find this natural resource and exploit it.

[Zabludovsky] Mr President, would you present this idea to your colleagues in the mentioned countries?

[Febres] I have talked with them in this regard. I think... [changes thought] I would not say that this is my initiative. I think it has entered the mind of many government leaders. However, what happens is that, incredible as it may seem, those who should talk the most, those who should be more in contact -- because they are the ones who have to adopt decisions to tackle problems -- are heads of state.

Unfortunately, for reasons I find hard to understand, they see each other very infrequently or hardly ever talk with each other.

[Zabludovsky] Mr President, I do not know much about Ecuadoran politics. Do you have a strong opposition?

[Febres] Yes.

[Zabludovsky] Are you worried?

[Febres] Worried in the sense that these are efforts by Ecuadoreans who deviate toward goals other than joining forces to resolve the crisis; nothing more than that.

[Zabludovsky] Would you expand a little more on this?

[Febres] Yes. I have a strong opposition. The Ecuadoran Congress is controlled by leftist parties; they are in the majority. Unfortunately, there have been disagreements and a constant tug-of-war between the legislative branch and the executive branch, which I represent. However, we are forging ahead and living democratically. They maintain their position, and I maintain mine. As long as this does not affect democratic stability, the opposition is part of democratic coexistence. I am a product of the opposition. In politics, I had always been in the opposition. This is circumstantial.

[Zabludovsky] You cannot be reelected immediately, is that correct?

[Febres] Yes, thank God. Upon expiration of my 4-year term -- on 10 August 1988 -- I will have fulfilled by civilian service and will return home.

[Zabludovsky] What do you plan to do [word indistinct]

[Febres] I will keep busy. I am an energetic man, a man from the countryside, a farmer, a cattleman. I am a man of sunshine, of the tropics, and will go back to till the land.

[Zabludovsky] Mr President, were you also in television for some time?

[Febres] Yes sir. In my life, I have been a sort of hybrid. I have been a businessman and a politician. As part of my business activities, I engaged in the television business at one time. I was president of a television channel, which I later sold when I decided to devote myself full time to politics. The channel is still operating but is in the hands of other people.

[Zabludovsky] President Febres, according to political analysts, you are right of center. That is what they say. However, [words indistinct] backbiters.

[Febres] Is that so?

[Zabludovsky] What do you say?

[Febres] I will answer you by stealing a phrase from the incumbent French prime minister that impressed me very much. When he was asked if he was leftist or rightist during his campaign, he said I am French; and I (?would) tell you I am Ecuadorean.

[Zabludovsky] [laughs] However, you visited Fidel Castro a short time ago, although you evidently do not agree with his political ideas. What did you talk about with Castro, and what was the result? Do you think the visit was fruitful?

[Febres] Definitely, I spent 3 days in Cuba, and had the opportunity to talk with Commander Fidel Castro for approximately 16 hours in private. We talked about every imaginable topic in connection with Third World problems, the problems of developing countries, world peace, Central America, the foreign debt, and Ecuadoran-Cuban relations. It was a very positive experience.

The fact that we belong to two totally different political worlds did not prevent us, as men of flesh and blood who feel the same pains and have the same concerns, from sitting down and rationally discussing and outlining our points of view. I think this experience has served to strengthen relations between Ecuador and Cuba in an excellent manner and has helped us avoid all sorts of problems.

[Zabludovsky] Mr President, what do you think is the essence of a democracy? How would you define it to use it, perhaps, as a government platform?

[Febres] To me, democracy is a lifestyle rather than a political philosophy. Living within a democracy means being able to exercise, in accordance with the laws, the rights that are inherent to humans' existence and personality. However, society -- which is wise, which is wise down deep -- organizes itself and sets limits on those freedoms so it can live in order and peace. For democracy to survive, it is important to accept that it has its limitations, that it is not a free license. The minute the concept that democracy means free license is adopted, the whole system is scuttled. That is why I define it as a lifestyle. Mr Journalist, one has to learn to live in a democracy.

[Zabludovsky] I have talked with many people during my stay in Ecuador and have asked them for their opinion of you. You have the reputation of being an energetic, harsh man -- I did not want to say that, harsh.

[Febres] What has happened is that life has given me nothing for free. All I have gotten from life I have obtained by struggling with bare fists, from dawn to dusk. I do not believe in paternalism; I think it is the fastest means to ruin a society. I am harsh in the sense that I say things the way they have to be said -- I call a spade a spade. I feel that the old orthodox method of engaging in politics with hidden cards, of planning political moves like a complex chess game is outmoded. The people want results. The people want men who bring results, who give them wellbeing as rulers, and that is what I seek. If I have to be harsh to do so, then I am harsh.

[Zabludovsky] I asked a taxi driver -- taxi drivers are a good source of information, the best because they talk with everybody and know what is going on -- I asked him what he thought about President Febres Cordero. He said: Not too good.

I asked him why. He answered: He eliminated public assistance and many other things, and my salary has not increased in proportion with the prices of formerly subsidized items.

[Febres] This is a logical and normal reaction in common people. Subsidies were eliminated but by doing this, real prices were established; production increased; and prices tend to decrease. What happens, Mr Journalist, is that we are not isolated from world inflation and an inflation that has been generated here. The moment I abruptly eliminate inflation, I would be leading the country to a recession. Therefore, I have to find an equilibrium for a moving economy, a developing economy that is not inflationary.

Some day, the taxi driver will thank me for what I have done to help his children because I put the country's economy in order, and I have checked abuses.

[Zabludovsky] In several American countries, the governments are getting rid of enterprises they believe should not be owned by the state. To what extent do you think the Ecuadoran state should own certain enterprises, or what enterprises should it own.

[Febres] Our Constitution has a special chapter on this subject. Certain activities must be in the hands of the state -- for example, public services and natural resources. Ecuador, which had taken some initial steps toward exaggerated state intervention in the country's economy, fortunately stopped that, and we do not have too many enterprises in the hands of the state.

Unfortunately, a few of these enterprises are facing serious problems. We are trying to revive and reactivate them to see if we, in the framework of the Constitution, can privatize them, return them to the private sector.

[Zabludovsky] Brazil and Argentina have initiated an economic integration project that could prove very interesting and that could serve as a pattern in all the South American countries and later in other American countries. Do you believe Ecuador could integrate itself to these economic adaptation efforts?

[Febres] I think we should. Unity breeds strength. The atomized condition in which we are now is not the best for the harmonious development of our people. This is why we must do all that is possible to revive the Andean integration effort, which was a great effort and which now unfortunately is facing problems. What the east side of the continent -- Brazil and Argentina -- is doing, should be done by the Latin American countries on the west side.

[Zabludovsky] Is Ecuador going to continue depending on only one export item?

[Febres] We have a high degree of dependency. At one point, oil represented 65 percent of the foreign exchange income. This was approximately the percentage it represented in the fiscal revenue aspect.

However, we have set in motion mechanisms to diversify traditional exports, and these mechanisms are having positive results.

For example, this year's traditional exports that have nothing to do with oil will be approximately $1,250 billion, while last year they represented only $800 million, and the previous year $700 million. This means that we are gradually and slowly, but positively, getting out of our dependency on oil.

[Zabludovsky] You have been in the government for more than half of the 4-year period. What has been the most difficult obstacle you have faced?

[Febres] From an economic point of view, I would say the drop in oil prices. This has been catastrophic for us. From the political view, a very hard opposition, very intransigent. I do not want to use other words. That opposition has tried to make life unbearable for me. [passage omitted] [end recording]

PRESIDENT NAMES ANGEL FLORES AIR FORCE COMMANDER

PA291951 Paris AFP in Spanish 1514 GMT 29 Jan 87

[Text] The Government Palace announced today that Ecuadoran President Leon Febres Cordero had conferred the position of commander of the Ecuadorean Air Force (FAE) on General Angel Flores, who replaces General Jorge Andrade.

Andrade offered the president his resignation from active service the day after he was kidnapped by Air Force commandos. Febres Cordero was freed after releasing former FAE Commander Frank Vargas Pazzos.

Thirteen days ago, commandos kidnapped Febres, Defense Minister General Medardo Salazar, Andrade, and 30 other people.

The former commander reaffirmed that he hopes the "FAE will take the road to greatness." Hours before Febres Cordero accepted his resignation, Andrade added: "If my leaving the institution permits that to become a reality and allows the FAE to recover the prestige it has earned a thousand times over, I will leave happily."

GUARDS FOIL TERRORIST ATTEMPT TO FREE PRISONERS

PY281824 Madrid EFE in Spanish 1619 GMT 28 Jan 87

[Text] Lima, 28 Jan (EFE) -- Alleged terrorists tried to free approximately 200 prisoners from the penitentiary in Huacho, located in the northern part of Lima Department.

According to a communique released today by the National Penitentiary Institute, an armed terrorist group carrying dynamite attacked the prison at 0200 [0700 GMT] on 25 January.

The attack, which apparently sought to breach the wall of the prison to allow the prisoners to escape, was repelled by prison guards.

APRA DISQUALIFIES SENATOR, MAYOR FOR CRITICISM

PY261931 Lima Radio del Pacifico in Spanish 1300 GMT 26 Jan 87

[Text] Senate President Armando Villanueva del Campo, the APRA [American Popular Revolutionary Alliance] president, has announced that Senator Jorge Torres Vallejo has been disqualified from holding APRA leadership positions. Villanueva del Campo also said that a similar ruling has been imposed on Trujillo Mayor Mirian Pilco de Taboada.

He added that these disqualifications were imposed because both Torres Vellejo and Pilco de Taboada have severely criticized fellow APRA members.

GARCIA ADMINISTRATION POPULARITY UNPRECEDENTED

PY271835 Lima Television Peruana in Spanish 0100 GMT 27 Jan 87

[Text] In its first 18 months, the Alan Garcia administration has reached unprecedented levels of popularity. According to the Finance and Economy Ministry, a poll carried out among 600 people of the Lima metropolitan region by the (Datsun) Company indicates that President Alan Garcia has a 78-percent support rating and Prime Minister Luis Alva Castro has a support rating of 71.7 percent of those polled.

According to this report, the administration is supported by almost all age brackets, without regard to sex, social class, or political party. Contrary to what many believe, Garcia did not receive his greatest support from the younger voters, aged 18 to 34, but from voters 36 and older. According to this report, Garcia received 73.7 percent support from the younger group and 83.2 percent from older voters.

ABRAMS' STATEMENTS REVIEWED, DENOUNCED

UNOMASUNO Seeks Official Protest

PA300319 Mexico City UNOMASUNO in Spanish 27 Jan 87 p 3

[Editorial: "National Repudiation Against Interventionism"]

[Text] The adventuresome statements of Elliott Abrams against Mexico, whose virulence is only comparable to the statements of ultra-rightist Senator Jesse Helms, have not gone unanswered by Mexican society. Political parties of varying ideologies, labor unions and federations, and legislators from both chambers have expressed in varying tones, though bases on the same principle, their absolute rejection of renewed attempts to change the course of our foreign policy, which is implicit in the absurd statements by the State Department's assistant secretary for inter-American affairs.

Of course, his statements called for no less. Abrams' false accusations against Mexico come after his own statements on 13 January. He said the areas betwen Panama and Mexico is a national security area for the United States; thus, actions such as military support for the Nicaraguan contras are fully justified.

The reaction of the most representative organizations of our society once again confirms that Mexico's foreign policy is not defined and carried out without taking into consideration the interests and feelings of the population, but quite the opposite: They have the firm and decisive support of the classes and majority organizations. In this regard, we must point out that the repudiation of Abrams' statements has been so broad that the most conservative sectors, which are natural supporters of Reagan's interventionism, have preferred to keep quite because they are sure that any defense of State Department positions would be accompanied by the most absolute discredit.

So far, the only apologetic expression toward the interventionist arguments of Elliott Abrams has come from PAN [National Action Party] Deputy Jesus Gonzalez Schmall. He said that Abrams' statements do not constitute pressure against Mexico and concluded that if Mexico had not intervened in Nicaragua, the problem of that country would have already been resolved. However, this position, which clearly favors a military solution in Central America, is not shared by other PAN members. Francisco Gonzalez Gaza, another prominent party members, criticized with dignity the statements made by the State Department official.

Meanwhile, a clear and a vigorous reply by the Mexican Government to Washington's renewed inteventionist attempts is still lacking. Protests coming from social organizations, though important and necessary, are far from enough. Only the federal government, which is the supreme representative of the Mexican nation, can focus and voice in a single direction the deep uneasiness and indignation brought about in our country by Abrams' statements. An official protest at the highest level accompanied by the confirmation of our principles are two actions that Mexican society is awaiting for and ready to support.

## PRI Official Comments

PA300417 Mexico City UNOMASUNO in Spanish 27 Jan 87 p 4

[By Raul Correa E.]

[Text] Alejandro Sobarzo Loaiza, secretary for international affairs of the PRI Central Executive Committee, yesterday termed inadmissible the remarks that Elliott Abrams, U.S. undersecretary of state for inter-American affairs made about Contadora and Mexico. In addition, Guillermo Fonseca Alvarez, secretary general of the National Confederation of Popular Organizations, CNOP, said: "I do not try to describe foreign pretensions; I ignore them." He commented that the country will never compromise its traditional principles regarding its foreign policy.

Sobarzo Loaiza said that intolerance not only violates the principles of equality between states, but hampers good relations between them and creates a climate of mistrust that harms the friendly spirit between member of the community of nations.

Refuting the U.S. official's remarks, Fonseca Alvarez said that Mexico's firm posture in the application of its diplomatic principles "cannot be given any tint" because the nation "simply acts according to its traditional foreign policy."

Sobarzo Loaiza, who is also a senator, pointed out that the PRI is convinced that only through mutual respect and nonintervention in the foreing affairs of other states can there be a proper climate for healthy international coexistence and cooperation.

He added that there must be equality and mutual respect in relations among all countries. Equality and mutual respect are particularly necessary between neighboring countries, when changes are more marked. Therefore, a spirit of goodwill and the determination for mutual cooperation must prevail.

The PRI leader said that, despite the great responsibility entailed in Abrams' post and although he should presumably be familiar with the continent's politics, "he does not seem to know that Mexico and several Latin American countries in Central America are bent on seeking peace through law, a negotiated solution of controversies, and rejection of solutions imposed from the outside."

Sobarzo Loaiza pointed out that the broad interntional recognition of the Contadora Group's work clearly proves that Mexico's posture regarding Central America agrees with the interests of the world at large.

He said that the growing solidarity with and the full recognition of the Contadora Group have been confirmed by resolutions and statements issued by various international organizations, both universal and regional. "For this reason, Mr Abrams' remarks are all the more surprising."

CNOP national leader Fonseca Alvarez asserted that nothing and no one will make Mexico change its foreign policy, which upholds the principles of defense of nation's sovereignty, juridical equality among peoples, peaceful solution of conflicts, and the determination to respect the autonomy of each state. Mexico has defended all these at all forums.

'TRANSNATIONAL OPPOSITION' CAMPAIGN REVEALED

PA241626 Panama City LA PRENSA in Spanish 24 Jan 87 p 1

[By Lisette Carrasco]

[Text] Panamanian Legislator Rigoberto Paredes said yesterday that the Panamanian Christian Democracy and well-known figures of the local and foreign opposition are the leading force of the political destabilization threatening the government of President Eric Arturo Delvalle and its Defense Forces.

Paredes' statements were made at a news conference yesterday at the end of a 2-day seminar organized by the legislators of the Democratic Revolutionary Party (PRD), called "Legislative Assembly, a Base for Democracy."

Paredes said that one of the topics discussed at the seminar was "the destabilizing activity of the transnational opposition." The PRD legislators concluded that a group of Panamanians and foreigners have begun a destabilization campaign against the national government and the Defense Forces of Panama [FDP], which according to the legislators "is responding to foreign interests" in clear relation with the accusations made by the U.S. press against General Manuel Antonio Noriega.

Paredes pointed out that those opposition sectors have made economic contributions to finance this campaign abroad. He said that those responsible for the "unpatriotic" actions are: Gilberto Arias Guardia, member of MOLIRENA [Nationalist Liberal Republican Movement]; Ricardo Arias Calderon and Guillermo Cochez, president and vice president of the PDC [Christian Democratic Party] respectively; and Ivan and Winston Robles, the latter the director of the newspaper LA PRENSA.

This news conference was not covered by LA PRENSA reporters directly, because they were not allowed on the installations of the Center of Military Recreation [CEREMI] -- former La Siesta Hotel which was recently bought by the FDP. According to an FDP guard, who guarded the entrance to the area, the measure responded to "superior's orders."

Meanwhile Legislator Guillermo Cochez told LA PRENSA that "it would not not be surprising if one of these days one of the PRD legislators were to propose that the seat of the Legislative Assembly by transferred to the headquarters of the FDP."

"The situation presented at the seminary that the PRD held at CEREMI with the participation of military leaders is truly shameful both for the PRD and the FDP," Cochez added.

## EL SALVADOR

### GOVERNMENT, FMLN CONFIRM EXCHANGE FOR AVALOS

PA300024 Panama City ACAN in Spanish 2359 GMT 29 Jan 87

[Text] San Salvador, 29 Jan (ACAN-EFE) -- The government, church, and the FMLN confirmed today the exchange of political prisoners for a colonel held by the rebels. The church has reported that the Army released 42 political prisoners.

The FMLN, meanwhile, reported that 39 political prisoners have been released and that they will be sent to Cuba via Mexico. The FMLN reported that the release of the political prisoners -- whom the Army captured while they were being treated by the International Red Cross -- is part of the deal for the exchange of Colonel Omar Napoleon Avalos, captured by the rebels in October 1985.

The Salvadoran Government and Armed Forces stated that in order to obtain Col Avalos' release, they freed 23 prisoners from the Ilopango jails, on the outskirts of San Salvador, and that 15 "maimed terrorists" had been released in nearby Soyapango.

According to the Army, the prisoners were turned over to the Red Cross International Committee and the Catholic Church. It was not revealed when the rebels will release Col Avalos.

### Rivera y Damas on Exchange

PA300324 San Salvador Canal Doce Television in Spanish 1200 GMT 29 Jan 87

[Report by Joel Burgos -- passages within quotation marks recorded]

[Text] San Salvador Archbishop Msgr Arturo Rivera y Damas told this newscast that the government and the guerrilla movement have finally reached an agreement regarding the release of Colonel Omar Napoleon Avalos, who was kidnapped by the FMLN in October 1985.

Archbishop Rivera y Damas, who made these statements last night, added that during a meeting in which he participated as a mediator, the government and the Armed Forces accepted the last guerrilla proposals. Rivera y Damas said that at the meeting, the government and the guerrilla movement agreed on the place and the date for the delivery of Colonel Avalos, although he refused to give that information.

[Rivera y Damas] "The negotiations for the release of Col Avalos have been long and difficult. We think that the negotiations have reached a very important point. It is true that we held the meeting in Panama. I attended the meeting as a mediator, and I think that real action on the release of Col Avalos will take place in the coming days."

Does this mean that there will be a reply in the coming days? Has the Army accepted the guerrilla counterproposal or the guerrilla proposal?

[Rivera y Damas] "The government representatives and, of course, the army have accepted the exchange of Col Avalos for a number of prisoners. That is a fact. They are only waiting for the moment of the exchange."

Msgr Rivera y Damas added that the list of political prisoners, labor union leaders, members of humanitarian organizations, and members of committees of mothers who will be exchanged for Col Avalos does not include the sons of labor union leader Humberto Centeno -- Jaime and Vladimir Centeno -- who were accused of participating in Avalos' abduction.

In addition, the San Salvador archbishop criticized the attitude of the country's businessmen and said that the strike of 22 January was aimed at learning the public's opinion on the economic measures, and not at exerting pressure on the government.

[Rivera y Damas] "Some people considered the strike a plebiscite; I think that is somewhat exaggerated because that was not the intention of the strike. The strike wanted to find out the people's opinion of the economic measures decreed by the government. I think that when they are carried out too often, this type of demonstration loses strength. Several Chilean bishops have told me that this has happened to the political demonstrations against Pinochet in Santiago."

Msgr Rivera y Damas added that the church is willing to mediate between the government and the country's private enterprise so they can reach an agreement. However, as long as the parties do not request the mediation, the church will not be able to intervene.

FMLN COMMUNIQUE ON GOVERNMENT 'MASSACRE'

PA292350 (Clandestine) Radio Venceremos in Spanish to El Salvador 0000 GMT 27 Jan 87

[FMLN communique issued in El Salvador on 26 January]

[Text] The FMLN informs the Salvadoran people that:

1. On 22 January 1987, a group of Jose Napoleon Duarte's Air Force paratroopers were taken to hamlets in the La Ceiba and San Diego cantons, Carolina jurisdiction, northern San Miguel Department, to carry out an extermination operation against the civilian population in that area.

2. The extermination operation began at 1000, when the houses in La Ceiba and San Diego Cantons, especially the Laguna Seca hamlet, were bombed and machinegunned. At the same time the homes of the civilians were being bombed and machinegunned, the paratroopers were landing in an area where they then proceeded to burn crops and finish off the work of annihilating the civilian population.

3. As a result of the criminal bombing that lasted 2 hours, seven civilians were killed and four [as heard] others were injured. The dead civilians are: 1-year-old Griselda Argueta, 5-year-old Reina Gomez, 6-year-old Josefina Martinez, 16-year-old Elberta Barahona Martinez, 18-year-old Maria Escolastica Argueta, 30-year-old Eleuteria Barahona Martinez, and 30-year-old Agapito Guevara. The injured civilians are 16-year-old Emma Interiano, 16-year-old Pablo Guevara, and 18-year-old Leonardo Martinez. Also, 17 manzanas of corn were burned, 8 houses were destroyed, and most of the houses were badly damaged.

4. Because of the nature of the operation -- the synchronized bombings and troop activities on land, the dropping of bombs on a specific and heavily populated area -- and because of the number of victims and injured who have not received medical attention, we have reached the conclusion that this operation was a premeditated and cold-blooded plan that was not aimed at terrorizing the civilians to leave their homes, but rather to murder them.

5. This premeditated genocidal action on the part of Jose Napoleon Duarte's troops represents the reactivation of the policy of large-scale killings in the same style of Junquillo, Jinotepe, [words indistinct], Cosapayo, and others.

The FMLN holds Jose Napoleon Duarte, commander in chief of the Salvadoran Armed Forces; and his Christian Democratic Party [PDC] responsible for the genocide. As masterminds of the plan, they are more responsible than the men who followed their orders and carried out the plan. Jose Napoleon Duarte and the PDC clique are directly to blame for this massacre because they were the ones who supplied the bombs, rockets, and weapons that Reagan sent to sow death and terror among the defenseless civilian population -- such as 1-year-old Griselda Argueta and 5-year-old Reina Gomez. Jose Napoleon Duarte is responsible for this massacre because he is the faithful servant of the genocidal policy of the U.S. counterinsurgency plan that now calls for a reactivation of the large-scale killings.

The FMLN declares that this genocidal policy is from every point of view unacceptable, and it will receive a firm and implacable response. We remind Jose Napoleon Duarte and his party that they are not immune to war. In view of the fact that the survivors of the massacre in La Ceiba and San Diego Cantons have been abandoned, the injured left unattended, the houses destroyed, and the crops burned; in view of the fact that Jose Napoleon Durate's government has banned the International Red Cross, the church, and humanitarian organizations from the site of the massacre, and is preventing them from attending to the injured and providing food and medicine for the survivors; in view of the urgent needs of these people who have always lived in that area, we propose to Jose Napoleon Duarte the following:

The FMLN will immediately release Salomon Sanchez, mayor of Ocicala who is currently being held as a prisoner of war, in exchange for granting a safe-conduct for the International Red Cross, the church, and humanitarian organization representatives to travel to the site of the incident and give necessary medical attention; beginning reconstruction of the damaged houses; and providing the financing that will cover their losses with the destruction of their crops.

Jose Napoleon Duarte is to blame for what has happened, and we expect an answer to this proposal.

FMLN, El Salvador, 26 January 1987

LEGISLATIVE ASSEMBLY REFORMS 'WAR TAX'

PA232338 Panama City ACAN in Spanish 1756 GMT 23 Jan 87

[Text] San Salvador, 23 Jan (ACAN-EFE) -- The Salvadoran Government has revoked the tax reform implemented this year, which caused various protests including a labor strike.

In its session yesterday afternoon, the Legislative Assembly approved a reform of the so-called "war tax" created to finance the military conflict and of the taxes applied to cigarettes and incomes.

The modification of the tax measures was recommended by President Jose Napoleon Duarte, Legislative Assembly spokesman said today.

The "national sovereignty defense tax," known as the "war tax," was decreed at the beginning of October, and it taxes assets of 150,000 colones ($30,000) at 500 colones ($100) annually, plus 1 percent of any assets in excess of 150,000 colones. Assets that surpass 1 million colones ($200,000) would pay 22,000 colones ($4,400) plus 4 percent for assets that exceed 1 million colones.

The reform of the tax law establishes that people who have property in war zones or whose property was damaged in the earthquake last October will pay only 50 percent of the tax. The modifications also state that property owners affected by the agrarian reform will receive special treatment and will be allowed to pay their taxes with agrarian bonds.

The tax on national cigarettes, which had been increased to 50 percent, returns to its previous 42.5 percent.

The Salvadoran Government decreed the tax reforms after serious analyses and studies in order to obtain funds to meet the nation's needs, especially security, according to ranking state officials.

The new taxes were implemented as of 1 January and have been criticized and rejected by the labor, student, political, and business sectors.

Almost all private businesses in the country held a strike yesterday to demand the abolition of the new taxes.

Jose Antonio Rodriguez Porth, executive director of the Chamber of Commerce and Industry, who called the businessmen's strike on Thursday, described the modifications approved yesterday by the assembly as "cosmetic or for appearances only," and announced that they will not make the productive sector's position change.

"We still maintain that the war tax is unconstitutional and, therefore, as long as the Supreme Court does not issue a verdict regarding the appeal presented by the productive sector, it will be useless to cut the tax in half," Rodriguez Porth told ACAN-EFE.

## GUATEMALA

### QUINONEZ REITERATES REFUSAL TO RECOGNIZE BELIZE

PA291850 Panama City ACAN in Spanish 1736 GMT 29 Jan 87

[Text] Guatemala City, 29 Jan (ACAN-EFE) -- Foreign Minister Mario Quinonez Amezquita said today that Guatemala will not recognize Belize's independence "as long as there is no honorable solution that results in something tangible."

The foreign minister said that "Guatemala will not emerge empty-handed from a negotiation to resolve the dispute with Belize."

Belize, a 22,000-square km former British colony located northeast of Guatemala, obtained independence on 21 September 1981.

Nevertheless, Guatemala does not recognize the independence that was "unilaterally" granted by the United Kingdom because "the territory of Belize is part of Guatemala."

Quinonez Amezquita explained that the government of President Vinicio Cerezo has abandoned its total claim over that territory held by Great Britain for 150 years and it now "wants a tangible solution that might include sea or land areas or both."

The Guatemalan foreign minister disclosed that "Guatemala will renew direct negotiations with the United Kingdom over the Belize dispute."

"Belize can send observers but no negotiators because the solution of the dispute is exclusively the concern of Guatemala and Great Britain," the diplomat added. He did not announce the date for renewal of the bilateral talks.

Foreign Minister Quinonez indicated that "several formulas are being studied to negotiate the Belize issue, but the Guatemalan people will be the ones who will decide in a referendum on how the dispute is to be resolved."

"The position of President Cerezo's government is that as long as there is no honorable solution for our country, the independence of that territory will not be recognized," Quinonez Amezquita stressed.

CEREZO REITERATES CENTRAL AMERICAN NEUTRALITY

PA291958 Guatemala City PRENSA LIBRE in Spanish 28 Jan 87 p 4

[Text] We are not going to contribute the dead to favor the superpowers, President Cerezo said yesterday upon reiterating that "Guatemala will not abandon its neutral policy regarding the Central American conflict because it would be harmful to do so."

The president referred to Costa Rican President Oscar Arias' proposal for a meeting with the presidents of El Salvador, Guatemala, and Honduras, but not with Nicaragua.

The purpose of the meeting would be to discuss a Costa Rican peace initiative that consists of seeking a negotiated political solution of the Nicaraguan problem.

The new proposal basically consists of beginning a dialogue with the Nicaraguan Government so that it will undertake a political opening and call elections soon. Prior to this, the contras would have to lay down their weapons.

Asked if he would participate in a summit meeting, President Cerezo said: "We are going to talk with President Arias and also with Nicaragua, because our position is neutral."

The president also briefly commented on the statements of some Honduran congressmen who said that Guatemala's neutral position is "like that of the ostrich because it does not participate in the solution of the region's problems."

President Cerezo stressed that his policy will remain neutral on this problem because if "we get involved, it would be harmful to us. We would have to contribute the dead and they [not further identified] would contribute the bombs, a situation that would not benefit the big powers."

## HONDURAS

### AZCONA EXPLAINS FOREIGN POLICY TO DEPUTY

PA291307 Tegucigalpa LA TRIBUNA in Spanish 28 Jan 87 p 8

[Text of letter from President Jose Azcona Hoyo to Christian Democratic Party Deputy Efrain Diaz Arrivillaga, dated Tegucigalpa 16 January 1987]

[Text] Mr. Efrain Diaz Arrivillaga, deputy in the National Congress.

Dear Mr. Diaz Arrivillaga:

I have received your letter dated 17 December 1986, which you addressed to me both as a Honduran citizen and deputy of the National Congress representing the Christian Democratic Party of Honduras.

I reply to you both as a Honduran citizen who fully identifies with the interests of the homeland and as constitutional president of the Republic, who has faithfully fulfilled his oath to the people and the nation since he assumed office.

When you tell me that "you hope that the ideological and information manipulation that does not permit a national serious, objective, and responsible debate" can be avoided, you deviate from the topic at hand. There is no ideological or information manipulation in my government. Nevertheless, I appreciate your agreeing with me that the search for peace is the sine qua non condition for economic reactivation, development, and democracy.

My government's foreign policy is neither contradictory nor ambiguous. Our posture, which is crystal clear and precise, has been defined in specific documents that Honduras has proposed to the Contadora Group as our contribution to the solution to the crisis. In addition to this proposal to the group to which the pacification negotiations have been entrusted, our government has reiterated its position at the OAS and the United Nations.

The Honduran Foreign Ministry is assisted by competent advisers from all of the country's political organizations, even from the party that you represent at the National Congress.

My government keeps friendly nations, with which we maintain diplomatic relations, informed of our position and views. The seeming contradictions are caused by the misinformation that most of the time originates from versions coinciding with the Nicaraguan regime's thought and interests.

I refute your assertion that "Honduran national interests have been sacrificed to the U.S. strategic objectives in Central America" and that "we are being dragged into a conflict that is not ours."

Only by failing to make a calm and patriotic analysis can we ignore the threat that looms over Honduras' southeastern border. Honduran-U.S. relations must be considered with Honduras foremost in our minds, without letting this examination be obscured by motives and ideological views foreign to the homeland's interests and the region's democratic destiny.

U.S. aid to Honduras for the training of our Armed Forces is due solely to reasons of national security. With such aid, we do not have military plans against other states. On 28 May, I asserted at the OAS Permanent Council in Washington that Honduras will not attack any other country and that Honduras will not permit regular or irregular armies of other nations to use our territory for this purpose. In your letter, you have deliberately ignored my remarks and the several times that I have reiterated this determination.

Since I assumed office as the president of the Republic, I have said that the irregular forces that operate from our territory do so without my government's support. Such irregular and foreign forces, although formed by different groups with different purposes, also existed in the past. After they achieved power, those forces betrayed the democratic postulates of the insurgents. This abandonment of principles has made some of those revolutionaries continue fighting at the present time, still without Honduras' intervention.

Former Honduran Governments have recently been criticized for not admitting to the presence of Nicaraguan combatants in our territory. At the present time, my government is being unjustly criticized because it has not denied this presence, although -- we must repeat -- it is without Honduras' official support.

At this time, even when my government is taking specific measures both to prevent the foreign irregular forces from operating out of Honduras and make them leave our country, we have been harshly criticized. This effort, requires the support of other nations. Our policy concerning foreigners who jeopardize our country's neutrality by interfering in the affairs of other states has been rudely and mistakenly interpreted. I refute this charge because it does not fit historical truth and clearly has political intentions.

We have nothing to regret about our effort to find a suitable place to relocate the foreign counterrevolutionary forces that jeopardize our sovereignty. Whoever criticizes us because those forces are here and because we try to avoid their presence is guilty of intransigent and systematic opposition, inspired by lowly interests.

In view of the Central American situation, it is useless to seek guilty parties in the past because this is a problem of today, and we should not leave its solution for later.

My government carries out a responsible and consistent foreign policy in an effort to find permanent solutions to the problems that plague Central America. In addition, any political solution must cope with all the causes of the regional crisis. To support any dictatorship, no matter what its ideology, is as detrimental as war itself.

It is naive to simplify the causes for the Central American crisis and simultaneously suppose that the presence of Cuba, the Soviet Union, and eight other countries in Nicaragua threatens only the United States.

The bilateral U.S.-Nicaragua dialogue that you suggest has already been proposed, but the Managua regime at the same time refused to initiate another important dialogue with the Nicaraguan armed opposition. This position has hampered the progress of the talks.

All, absolutely all the military, regular or irregular, forces that keep this conflict alive must get out of Central America. To demand this only of the counterrevolutionary democratic Nicaraguan forces, or the United States and ignore the soldiers and military advisers from Cuba, the USSR, the GDR, Bulgaria, Libya, the PLO, Iran, Vietnam, and the DPRK that are operating in Nicaragua, would be a biased attitude that will not contribute to bringing peace to the region.

It is desirable that the Contadora peace efforts get the broadest and staunchest international support. However, it is necessary for all the parties involved in the conflict to agree and make a joint effort so that commitments can be fulfilled and verified. We have the promises made by the Managua regime. It has not provided ideological pluralism, nonalignment, nor a mixed economy for its people. This is the best proof that their promises lack reliability and do not have verification measures.

Central America's problems do not originate from the relations between the United States and Honduras. Our relationship is that of allied and friendly nations, and it has indeed discouraged further aggressiveness by the foreign and expansionist ideology that has developed in the isthmian region. In view of this reality, it is urgent to make an overall analysis of the situation to prevent anything to harm the security, peace, freedom, and justice of our republics.

I wish to reiterate my respect for the compatriots and militants of the Honduran Christian Democratic Party, who as good Hondurans are committed to regional peace and democracy, our people's well-being, and full protection of our personal safety and national sovereignty, giving priority to the highest interest of the Republic.

I have always recognized the prominent role performed by the youngest parties in Honduras in the strengthening of democracy. Perhaps you have forgotten that when it was announced that the Congress was going to approve amendments to the Electoral Law and political organizations that could have affected the small parties, I immediately said that as president of the Republic I would veto that bill. I trust that this would be sufficient to prove my support to the representation and rights of the minorities.

As a man willing to hold a dialogue, I have taken into account your thoughts and have conveyed mine at the same time.

Yours faithfully, Jose Simon Azcona H., Constitutional President of the Republic

## NICARAGUA

### REAGAN CALLS NICARAGUA 'BLACK SHEEP' OF C.A.

PA291259 Managua Sistema Sandinista Television Network in Spanish 0200 GMT 28 Jan 87

[Text] A few minutes ago, U.S. President Ronald Reagan spoke before the Congress. He used part of his speech to attack Nicaragua. Speaking before the full Congress, and accompanied by his entire Cabinet, Reagan harshly criticized Nicaragua. Reagan evoked the Monroe Doctrine in his speech. This doctrine has been used to justify dozens of U.S. interventions in Latin America and the Caribbean in the past. Using a markedly anticommunist tone, Reagan called Nicaragua the black sheep of Central America. He also vowed to fight any effort to cut funds to the counterrevolutionaries. In February, the U.S. Congress is to debate the disbursement of $40 million of the $110 million approved in June to finance the mercenary war against Nicaragua.

There is growing opposition among the Democratic majority to Reagan's warmongering. Moreover, Reagan was careful to omit any reference to the diversion of funds to the counterrevolution from the profits of the sale of weapons to Iran.

### DEFENSE MINISTER ON REAGAN SPEECH POLICY

PA291520 Managua Domestic Service in Spanish 0039 GMT 29 Jan 87

[Speech by Nicaraguan Defense Minister Humberto Ortega to various military and civilian leaders in Region 3, Managua -- live]

[Text] Brothers from the various structures of the revolutionary power in Region 3, Managua; brothers of the Region 3 regional committees; brothers of the EPS and Interior Ministry.

Today we must discuss with you some aspects of national defense at a moment when the U.S. Administration, headed by President Ronald Reagan, has taken another step in the escalation of the interventionist war against our country and the entire Central American region. We must talk with the men who are responsible for implementing the strategy of active military resistance; the strategy to repulse and bog down the enemy and to defend our country against eventual intervention, as we have been taught by our revolution and revolutionary government. We must directly encourage every man, woman, peasant, laborer, student, youth, government worker, professional, technician, and representative of the various structures that make up the revolutionary power in Managua.

This meeting is actually being held at a very tense moment for the Central American peoples. This is especially true for our people who are directly enduring the aggression of the U.S. Government's mercenary force, which has been attacking our country for nearly 5 years from Honduras and Costa Rica.

Yesterday, in his arrogant message to the world regarding Nicaragua, President Ronald Reagan clearly stated the unchanging decision of the most reactionary sectors of the U.S. Government, which he heads, to continue their policy of war and intervention against the Sandinist people's revolution. This was the most important part of Reagan's message regarding our homeland and people. Ronald Reagan has accompanied his warmongering decision to continue with the bloodshed in our country with the recent, shameless display of military power. He has practically surrounded our country. Approximately 20,000 U.S. soldiers are spread between the Southern Command and Honduras as a permanent threat to implement the military interventionist plans against our homeland.

In these past few weeks they have increased their spy flights. They are giving special attention to the Pacific coast of Nicaragua, especially the area around Managua. Ronald Reagan's warmongering interest to (?update) his strategic and operative information has been heightened. He wants first-hand information and is using his spies to get it. This was the case of Sam Hall who was released yesterday, or today -- I do not remember if it was this morning. Hall, a mental case and a sick case, was a CIA agent who was used to gather information regarding important targets in our country, especially in Managua.

Reagan's speech against our homeland is accompanied by the presence of U.S. Navy ships off our Atlantic and Pacific coasts. This presence increased a few days ago when a fleet, headed by the USS Iowa, arrived in the area. The USS Iowa is accompanied by destroyers and other naval ships. They are trying to surround our country. Now they are trying to expand the circle around our country. The USS Iowa is heading for the Pacific coast of Nicaragua and the Franklin Delano [as heard] Rooselvelt carrier is currently at the Guantanamo Naval Base, a base in revolutionary Cuba that the United States has illegally occupied.

Reagan's speech against our revolution and his determination to continue his interventionist actions is also accompanied by an increase in the presence of his troops in the area. They have all but legalized their presence in Central America, especially in Honduras. They are using the training exercises and maneuvers in the area, particularly in Honduras, as an excuse for their presence.

Although the revolution has virtually strategically defeated the mercenary forces operating from Honduras and Costa Rica, the U.S. Administration's warmongering policy has increased its military siege. It has increased the material support and the military infrastructure, as well as all the support for the air, sea, and ground forces. It has made progress in the plans for intervention, particularly in Honduras. In addition, it is trying to improve its conditions in Costa Rican territory to have its forces ready in the even of an intervention.

Our people, who have clearly been tasked with the defense of the homeland by becoming firmly, patriotically, proudly, and courageously active in the various campaigns that have allowed us to strategically defeat the mercenary forces in the past few years. [sentence as heard]

The people's efforts and achievements, as well as the history of the revolution are threatened by this interventionist Reagan who repeated his threat yesterday in his message to the United States and the world.

The strategic defeat of the mercenary forces should immediately lead a reasonable government to political negotiations between the Nicaraguan and U.S. Governments.

[Station abruptly changes programming; monitoring of speech resumes on alternate frequency after 8 minutes]

What, then, is our people's most important task in 1987 under the slogan "No one surrenders here?" It is to continue to support the plans for national defense with higher levels of organization. This is the most important task imposed by this historic moment. We, the comrades of the people of Nicaragua, are reaffirming this here in Managua.

Reagan reaffirms his warmongering policy. We reaffirm our policy of unity, struggle, and of not surrendering. We reaffirm our peaceful policy. However, we reaffirm our policy to prepare ourselves until the final minutes to face Reagan's possible interventionist threat.

What is the primary military task we must tackle now? It is to strengthen our sense of dignity, our commitment to the fatherland, our revolutionary awareness, our conviction that we will win, Nicaraguan pride, Sandinist pride, and the Latin American pride in being independent. This is the only thing that can really multiply the specific material efforts of the military plans we must consolidate in the next few months.

Yesterday, Ronald Reagan recalled the Monroe Doctrine of 1823 when nascent U.S. expansionism set out to take over [tragerse] the nations south of the Rio Grande. In this way, the United States tried to take over Nicaragua in 1857 when William Walker came here with his filibusters.

Reagan recalled Monroe, the expansionist. We recall here the decision and courage of Andres Castro, who knew how to defend Nicaragua's dignity with a stone in his hand.

Today, we will defend our sovereignty and homeland here in Managua not only with a stone, if necessary, but with our rifles, tanks, artilleries, and bodies just as we did in the past. [applause]

Reagan also recalled the Big Stick policy, the blackmail, and the dollar diplomacy of the 1920's and 1930's. This is a policy that caused so much damage and bloodshed to our Nicaraguan people, and to the peoples of the Caribbean, Cuba, and the Dominican Republic.

Reagan recalled that policy but, today, we also recall those years. We recall Benjamin Zeledon, who courageously faced the invading imperialists. We recall the women and men who, on the side of Zeledon, fought an all-out war, day and night, in disadvantageous conditions. They fought the U.S. interventionist ships along the Pacific coast. They fought the first bombings of modern aviation against our humble and working people. We recall the support our poeple received from Central Americans who fought with Zeledon. We recall the Salvadoran woman, Lucila Matamoros, who was dismembered by the Yankee marines when she courageously fought on the side of Zeledon's patriots.

We also recall these lessons, President Reagan. We recall that our people are not alone, just as Benjamin Zeledon wasn't alone back then.

We recall more vividly and logically, the struggle of Sandino who -- with Central Americans, Latin Americans, and men from all parts of the world -- fought that historic battle that allowed the children of Andres Castro, Zeledon, Sandino, Carlos Fonseca, and Rigoberto Lopez Perez -- the finest children of Nicaragua, Nicaraguan dignity, and revolutionary ideas -- to be present on 19 July 1979 and today, on this 28 January.

This is what we have here, Mr President Reagan, and we will defend Managua and the fatherland with them. [applause]

Their ships, marines, espionage, and aircrft will not make us surrender. Their barefaced, criminal, and extortionist military, economic, diplomatic, and financial siege will not make us surrender. We will further strengthen our moral commitment, not only to those who fell in the past, but to those who continue to fall, into our rivers, in our jungles, and in the border territories. We will make a stronger commitment to those who toil, go without sleep, and resist the rigors of military operations to be part of the effort that ensures the survival of our revclution. We will not surrender. Over the next several months we will exceed the quota requirements of the active military service that the current situation is demanding. We have been doing this since last year. We will improve military organization, the reserve echelons, and the readiness levels of each of the nation's reservists, including those in Managua, Chinandega, Leon, Masaya, Carazo, Rivas: in the entire nation. In the fulfillment of military tasks we will emulate the youths who are defending our country in the territories more directy affected by the war. We will do this not only by fulfilling our military tasks with greater precision, mastery, and rigor, but by increasing our readiness to mobilize to any area of the country when and under the circumstances that our country and duty demands it of us.

We are certain that the Nicaraguans will know how to fight, not only inch by inch, brick by brick, block by block, neighborhood by neighborhood, street by street here in Managua, but also, if we are so ordered, to fight anywhere and anytime -- particularly if the invasion takes place -- in Central America, where the war of intervention will surely shatter in a thousand pieces the warmongering presence of U.S. policy.

We must be prepared to mobilize. We will do this to fulfill the goals the ongoing war imposes on us. We do it to end sooner the suffering of our peasants who are in the areas still affected by the mercenary forces. At the same time, we do it to fulfill the various plans for Managua, the capital, and for the Nicaraguan Pacific region, to wage a victorious battle against those plans that they have already prepared, and which, according to their coldblooded, computerized estimates, they believe will not be very difficult to carry out in our capital.

Well, we must prepare to prove that our people are not only prepared to fight, something that the warmongers' calculations cannot register...[changes thought] that is why they lose; that is why they lost in Vietnam; that is why they lost in Korea, and that is why they are losing their mercenary war here, against our people. Consequently, we are fully convinced that if Reagan's interventionist policy continues and the U.S. intervention eventually takes place, their calculations and technology will also fail, because our people will counter them, fight against them, and will know how to apply the military art and science we have learned. They will know how to combine their high combat morale and the military skills they have learned.

The primary task at these difficult moments is not only to continue to stengthen our determination to struggle, which is the essential thing, but we must accompany that morale, that determination to struggle, with greater mastery over the terrain, the arms, and the fight we are going to wage here with firmness, certainty, optimism, and faith in victory over the interventionist enemy.

We must also strengthen all the institutional, party, political, and military mechanisms essential to improve, in a coordinated manner, all the daily tasks included in the plans for the military defense, the military mobilization, the fortification of the capital, and the military training of the various reserve units. We are going to intensify this training in this first half of the year. We began to intensify it in the end of 1986. In these months, we are going to have increased training of the thousands of reservists who have already been assigned and organized in the reserves. We must continue to provide them with combative military training. In accordance with plans we have already approved, the Managua regional committee will have to work hard to train thousands of reservists every month, to adequately arm them and train them to better learn their areas of military responsibility in the capital, in the urban and rural areas. In these 6 months, thousands and thousands of reservists will have to be trained. They will have to be mobilized for training. If there is no close coordination among the various political, mass, state, and military structures of the society, it will be difficult to fulfill these plans for military training and at the same time to carry out the recruitment of thousands of youths who are joining up to fight the mercenary forces in the areas most affected by the war.

We must carry out these mobilization tasks of the plan for military training in the capital bearing in mind that Reagan's policy also includes destroying the country through the difficult economic, materials, and social situation being experienced by the peoples of the Third World, especially Latin America, specifically Central America, and more specifically our country.

Our homeland is suffering from the effects of the foreign debt, the financial crisis, the war of aggression, and Reagan's encirclement. Our situation is even worse than that of the other countries experiencing the economic crisis because we are facing this U.S. war against Nicaragua. That is why we must carry out the military mobilization and training without disrupting and weakening the subsistence economy that must essentially be maintained in the framework of an increased defense of the country.

We have to strengthen the awareness of our workers and people so that they will replace, through more work, the vacancy left by those mobilized for military training, by the reservists, and by the youths in the patriotic military service. The workers who are not affected by the mobilization must responsibly and patriotically take over the productive effort that the war, national defense, and the historic moment are demanding.

How then can we maintain the subsistence war economy that Reagan has practically imposed on us at the same time that we successfully carry out the plans for national defense? As I said earlier, this can only be done by improving the levels of coordination and especially of awareness of our workers.

In conclusion comrades, we must understand that the strategic achievements in the war that we have been winning by strategically defeating the mercenary forces are the result of the fact that we have militarily placed them in a situation that is irreversible. They cannot come out of it and, on the contrary, their total defeat will be achieved this year. At the same time, we have maintained this difficult subsistence economy despite the problems and the encirclement. We have kept our country and our people alive. We have maintained -- granted, with many difficulties -- development and the hope for a better future even though our people are living with social and cultural difficulties. We have even invested in projects that will yield their fruits in the future, and at the end of this war will have a more direct impact on gradually improving our people's situation. We have maintained our people's hope for a better future. This constitutes the achievement of the revolution. This constitutes the victory of our people.

It is the fact that in this immoral and unequal war, the United States has been unable to paralyze, crush, destabilize, and disrupt the economy and society. On the contrary, amid the difficulties we are firmly moving forward, opening paths with other peoples who support us and who do not leave alone this revolution and this people in their effort, their determination for independence and self-determination.

This is the historic achievement I was pointing out. In Managua we are not going to decrease this achievement. On the contrary, we are going to strengthen it by more creatively and resolutely linking the elements of national defense with the elements of production so that our country can survive and at the same time we can advance inch by inch in the strengthening of our revolutionary process.

We are going to carry out these tasks, being more belligerent against our weaknesses and also being more active and belligerent against the demonstrations of the right wing which, taking advantage of the framework of democratic freedoms of this revolution involved in a war, creates diversions, spreads rumors, and causes confusion among backward sectors of our people. We have to be more belligerent in that struggle and not give respite to the reactionary right wing which still exists in our country and to the reactionary demonstrations that are an element of direct support for the interventionist encirclement against our homeland. In this area, we have to be more active and more resolute (?in confronting) these demonstrations of [words indistinct] and political and ideological diversionism.

Comrades, because this has been a short time to address such a complex task as defense, I have wanted to highlight the main tasks that the historic moment demands and reiterate that our revolutionary leadership, the Sandinist leadership, the National Directorate has absolute and deep confidence in each of you and in each of the citizens of our capital, Managua. We have absolute conviction that our people, above any differences, will know how to strengthen their national unity at this time when the imperialist power is threatening us with its interventionist war, and that all Nicaraguans, all the Managua residents together will shout and fulfill the slogan: No one surrenders here!

ANTI-SANDINIST BOS SUPPORTS OPPOSITION UNITY

PA290207 Paris AFP in Spanish 2227 GMT 28 Jan 87

[Text] San Jose, 28 Jan (AFP) -- The anti-Sandinist Southern Opposition Bloc (BOS) today voiced "solidarity" with the Nicaraguan Opposition Unity-South (UNO-SOUTH), which yesterday broke from its alliance with the Nicaraguan Democratic Force (FDN), which operates on Nicaragua's northern border.

BOS notes in a communique released by its office in San Jose the "great concern" that has been caused by the charge raised by UNO-SOUTH that this gorup has fallen victim to "deceit by some sectors that want to destroy the southern front" of the counterrevolutionaries in order to favor the FDN.

BOS, whose leader is Alfredo Cesar, said in the document: "We defend all those who are struggling in southern Nicaragua and their right to receive the aid the U.S. people have approved for these purposes."

UNO leader Alfonso Robelo charged yesterday in San Jose that certain officials of the Reagan administration are "manipulating" the military assistance funds for the FDN guerrillas, which are controlled by Somozists who have their main bases in Honduras.

During a news conference, Robelo confirmed the break between the FDN and the anti-Sandinist guerrillas operating in southern Nicaragua under the command of Fernando Chamorro, alias "El Negro."

Chamorro and his leading lieutenants quit the alliance on Tuesday after charging that they have not benefitted from the $100 million approved by President Reagan 90 days ago.

GOVERNMENT ANNOUNCES INCREASED MEAT PRICES

PA280330 Managua EL NUEVO DIARIO in Spanish 27 Jan 87 pp 1, 12

[Excerpt] A new increase in meat prices was announced yesterday by Adan Luis Talavera, livestock director general of the Ministry of Agricultural-Livestock Development and Agrarian Reform. One of the reasons for this decision is the increase that will be granted to the producers because of the dry season, which has begun and which forces producers to increase their costs.

The new prices will be enforced today, 27 January. They represent a 10-percent increase in most of the meat's prices, and almost 60 percent in choice cuts.

In addition, Talavera reported that they have begun to purchase cattle on the hoof -- in other words, directly at the farms -- to prevent using the middlemen. [National Slaughter Houses Enterprise] will purchase the beef directly, mainly in the sixth and fifth regions of the country.

He said that 15 million pounds will be exported this year, and this is a positive note within the reorganization in that sector.

Only 7 million pounds were exported last year, mainly to Canada -- and to Japan on a minor scale. [passage omitted]

REAGAN REITERATES SUPPORT FOR CONTRAS IN ADDRESS

PA300347 Havana International Service in Spanish 2300 GMT 29 Jan 87

["Our America" commentary read by Manolo Ortega]

[Text] Ever since the scandal of the secret sale of arms to Iran was discovered, the U.S. President decided it would be best to maintain silence regarding the issue. Nevertheless, some sectors of the press, through their statements, have made the Americans believe that, incredibly, their President was not aware of the situation; that his advisers are the ones responsible for everything; and, even worse, that they are the ones who make the important decisions.

On Monday, President Ronald Reagan at least appeared before the White House commission investigating the issue, an appearance of which nothing has been reported out of respect for the dignity of the Presidential office. On the following day, the President made his sixth annual State of the Union address to the American people. Placing himself in the contradictory position of wanting to convince public opinion that power is in his hands, he said he assumed all responsibility for what he described as: our action in Iran.

Reagan had previously said he could not remember approving the sale of arms to Iran, but it is not our intention to expand upon the U.S. President's loss of memory regarding such important issues, or to discuss his contradictions. However, it is appropriate to point out some aspects of his speech, especially those regarding White House policies in Central America. In this regard, Reagan reiterated his absurd and reactionary determination to by all means continue supporting the Nicaraguan counterrevolutionary groups, while trying to justify his efforts to destabilize the Sandinist revolution.

Shortly after the members of the Contadora and Support Groups requested the U.S. contribution to the search for peace in Central America, the U.S. president insisted in his speech that he would request more funds for the mercenaries.

After exhorting his fellow citizens to avoid the obsession of defeat, the President thought the time had come to brandish the obsolete and rejected Monroe Doctrine to justify his administration's aggressive path. Some sectors of the U.S. press were right when they reported shortly before the scandal over the sale of arms to Iran broke out that the President was too old for the post, and age -- among other things -- had sharpened his reactionary positions and led him to revive the equally old theories that U.S. leaders held onto the past to claim the alleged right to impose their systems in Latin America.

Perhaps few U.S. Administrations have had the sad privilege of being as unpopular as the current one. However, despite respectability, the United States is not able to dominate other nations, or even attack them to force them to change the paths they have freely chosen.

GRANMA REPORTS DUARTE'S UNPOPULARITY, FMLN ACTS

PA221947 Havana International Service in Spanish 2300 GMT 21 Jan 87

["What the Press Has To Say" feature]

[Text] The Salvadoran regime is completely aligned with the U.S. policy of aggression for the region. In addition to this, the Salvadoran regime is characterized by its antipopular government plan to carry out counterinsurgency efforts to strengthen its power.

The following is an article published recently by the Cuban daily GRANMA. It was written by Orlando Oramas Leon, a young journalist. The article deals with this subject and with the internal crisis of the regime.

The article states: Anyone with knowledge about Salvadoran geography could be pessimistic about a guerrilla victory. El Salvador is a country of only 21,000 square km. It does not have important jungles or mountains -- the natural grounds of other revolutionary movements. If to this we add that the United States has decided to militarily defeat the FMLN and that to achieve this it is utilizing its powerful resources, then the pessimists could think that they are definitely correct in their judgment, but they are mistaken.

On its 6th anniversary, the maturity of the Salvadoran revolutionary process is expressed by the level of organization and awareness of the revolutionary forces, the advances in their unification, and the advanced military development of the guerrillas. The FMLN has extended the war to the country's 14 departments and has access to the most important roads.

The transportation stoppages decreed by the guerrillas have been very effective. Proof of this is that the regime is studying the possibility of having to open a sea route to transport fuel and merchandise to the country's east in spite of the short distance and that it maintains an Army of more than 50,000 troops.

It is thanks to popular support and to firm incorporation into the struggle that the FMLN has been able to defeat the U.S. counterinsurgency plans. The United States spends approximately $2 million daily to finance the war while the Salvadoran people suffer a 40-percent unemployment rate, a high inflationary rate, and the burden of the economic packages the government has prepared to sustain the war.

Orlando Oramas Leon points out that the Duarte project is bankrupt and that his noncompliance with his demagogic reform promises plus his surrender to U.S. dictates have provoked a rejection from broad popular sectors which now are better organized and mobilized. This is the case of the National Union of Salvadoran Workers, which comprises almost 60 percent of the country's workers.

The sector in power is involved in internal contradictions that are resolved by Jose Napoleon Duarte yielding even more to the ultraright, to the detriment of the needs of the people, needs that have multiplied as a result of the earthquake. This has become another factor further polarizing the conflict.

The democratizing scheme that Duarte wanted to represent is becoming increasingly repressive and turning into acts against the recovery movements of the people. The article notes that last year the Army bombed more than 200 rural towns and that counterinsurgency operations resulted in the forceful displacement of more than 25,000 people.

The latest counterinsurgency operation implemented by the U.S. advisers is called United To Rebuild. It has already proven a failure. It was conceived to achieve military objectives. The objective of the plan is to isolate the guerrillas from their natural environment: the people. However, the regime's inability and lack of will to resolve the problems of the people has produced another defeat.

Imperialist wars can be won by the side with more troops or sophisticated weapons, but revolutionary wars do not depend on material matters. The Salvadorian war will be won by whoever has the support of the people, by whoever identifies with the traditional aspirations of million of Salvadorans.

The FMLN represents peace with dignity, sovereignty rescued from Yankee intervention and meddling.

The article, which is entitled "El Salvador, the People Will Win," states in its last paragraph that with basis on the premise that just causes are victorious, anyone analyzing Salvadoran geography, the essence of the conflict, and the interrelations between objective and subjective factors that exist there, and knows the maturity of the leaders of the revolution, will be certain that in El Salvador the people will win.

FMLN GUERRILLAS DISCUSS SALVADORAN 'MILITARY DRAW'

FL261751 Havana Tele-Rebelde Network in Spanish 1410 GMT 23 Jan 87

[Video interview with Salvadorans Moises Martinez, FMLN representative in Cuba; Antonio Hernandez, not further identified; and Jorge Palencia of the "Solidarity Commission," by Alicia Cascaret; date and place not given -- recorded]

[Text] [Cascaret] We understand that there is a generalized belief, esecially abroad, that there is a draw or stalemate between the guerrilla and the Army. This theory is based -- or rather, says that neither the Army nor the guerrillas have been ble to defeat each other. What could you tell us about this?

[Martinez] In effect, the U.S. Government has made great efforts through its international propaganda to foster that idea in the terms you have mentioned. Of course, this idea has also had as its framework a military activity in our country that is substantially different from that of other revolutionary processes. I would say that this idea has been handled in terms of the normal, almost normal, almost generalized tendency of looking at revolutionary armed struggle as a strictly military phenomenon and of not giving it the connotationmof sociopolitical phenomenon. To be able to see the prospects of the triump of the revolution, one needs to learn about the whole social and political situation defining the regrouping of the social forces involved in the revolutionary process or in the consequences of that struggle.

In El Salvador there is no military draw; it has not existed and will never exist. What we have had in El Salvador up to now is a stage of the struggle of the peoples' revolutionary war which has gone from the self-defense stage to the stage of the search for a balance, which is not the balance conceived in those terms, but the balance of the emergence of a new force. The non-existence of revolutionary armed forces in our country has produced a revolutionary struggle which is not only seeking the triumph and takeover of power but is principally seeking the creation, development, and consolidation of a revolutionary army that can be the expression of the power of the revolution, the true power of the Salvadoran people.

These stages are the ones that have to be previously defined to be able to establish the time of the takeover of power -- that is, the phase of the revolutionary counteroffensive which seeks to take over power. In El Salvador, the FMLN has never announced or declared that it has entered the revolutionary counteroffensive phase, that is, the phase of takeover of power. So to speak of a draw... [changes thought] the classical draw is the one in sports in which at a given time, in a particular activity, defined by the kind of sport it is, a confrontation takes place, and at the end of the effort, a period of time, the results indicate if they are tied or not.

In revolutions there is no predetermined time frame. There are necessary phases. The revolution can reach the phase of the takeover of power only when it has gone through the two previous stages within the framework of a reality which is the reality of objective conditions accompanied by subjective conditions; the people's willingness to struggle, the peoples' readiness to win.

This is what the Salvadoran people are experiencing with the accumulation of a historical experience which precisely today goes back 55 years, to 1932. We could say that it goes back even before 1932.

Before concluding, I would like to ask the television viewers to ponder the following: If there existed a military draw in El Salvador, a stalemate as the Americans are claiming, why is it that military aid to El Salvador is systematically increasing?

If the Americans were in control of the situation -- let us not talk about a draw but something less -- if they were in control of the situation sufficiently to have it end in a draw and later be able to thwart the aims of the revolutionary forces, they would have no need to increase the number of soldiers, the Army's combat capabilities, to give it more sophisticated weapons. The Americans would have no need to go from the 1980 aid of 49 million [currency not specified] to aid that exceeds 800 million in 1986 between the disclosed and secret amounts. They would have no need to cancel their initial Central American plans [words indistinct] trying to relieve the Salvadoran Army as soon as possible in what they thought would be the military eliminations of the FMLN in 6 months as Mr Reagan said, to later use the Salvadoran Army as its main ally in the military program against the ruling Sandinist revolution.

The fact that the Reagan administration had to shamelessly make a public appeal to obtain multimillion aid for the counterrevolution is precisely a tacit admission that the Reagan administration is realizing that the triumph of its counterrevolutionary plans is not foreseeable in the short- or medium-term in El Salvador.

As a result, it has had to speed up its plans for Central America by looking for an association that will bring discredit at a very high political cost but that out of desperation it is forced to accept in view of its failure.

I believe that from this angle, we can see that there is a mighty revolution in El Salvador that is extending its social base and with it, its source of real power, its prospects of winning, and a counterinsurgency plan, with a puppet government that is part of the counterinsurgency plan, which is losing its social base, which is politically isolated.

[Palencia] The aid that the United States is giving the government of Napoleon Duarte, which currently amounts to $2.4 million a day, the amount of weapons, of artillery, airplanes, helicopters, indiscriminate bombings despite the amount of military operatives in the controlled zones, of the enemy attacks in the semi-controlled zones, the psychological warfare, of their 42,000 soldiers -- despite all that monumental Yankee aid to the Salvadoran Government, it cannot be compared to, it cannot be said or confirmed that there is a military draw in El Salvador or that our war has reached a stalemate.

In the 6 years, almost 7, of war that we have had so far, the FMLN has daily shown that it has the military initiative. Evidence of this is the constant defeat of all the strategic plans of Yankee imperialism in the battlefield, both politically and militarily. Our whole war cannot show a military or political draw. For example, as a result of the work among the masses, the FMLN, the FMLN-FDR has won the support of the population who increasingly joins our struggle, our armed struggle and political struggle. A mobilization of over 30,000 people 2 days ago demonstrated that the people are on our side, and that we are surrounding our enemy, both Duarte and imperialism, with our political and economic demands.

The military initiative has not been taken away from the FMLN. It inflicts between 15 and 20 casualties every day. Last year casualties amounted to 6,151. If there were a military draw, Duarte himself would have offered to hold talks in which he would also be able to include elements to force us to enter into that process of dialogue and force us to negotiate.

[Hernandez] The theory of a military draw is of course a theory that responds to the interests of U.S. imperialism, because as we were pointing out, the behavior of imperialism in El Salvador is a behavior that does not reflect a draw. To the contrary, it reflects an unfavorable situation for them. Every day they need more resources, more means, more investments, more money, in order to guarantee the success of their plans.

But of course, this theory is more clearly seen in the propaganda, because it is meant to make an impact on the media. To create the international image through the media that in fact the situation in El Salvador is bogged down, stalemated. It tries to demoralize all those international sectors which have been supporting the revolution, which have been basing their support not only in the fairness, in the legitimacy of that struggle, but also on the progress to that struggle. So, by attacking our progress in this way through propaganda the imperialists are trying to demobilize that solidarity, and are also trying to create doubts among government sectors.

[Martinez] Inspired by Antonio's words, I would like to mention something, which is precisely the special interest that the Americans have in establishing that idea in the minds of the public. Why are they so determined in establishing that idea?

The explanation lies in the fact that what is at stake in Central America, in El Salvador, is U.S. foreign policy. What happens in Central America, especially in Nicaragua, in El Salvador, in Honduras, in each one of the Central American countries, is the reflection of U.S. policy toward Third World countries which is especially being applied in Central America in all its intensity.

The Americans are trying to defeat the Sandinist government in Nicaragua and to annihilate the FMLN in El Salvador. Their final goal is not simply the change of the correlation of forces in Central America and the establishment of governments that provide continuity to the capitalist system of independent development. Their final goal is to dominate the Third World. They are trying to discourage the peoples of the Third World from taking the revolutionary approach as a way to solve their historical problems. To achieve this, the United States intends in Central America -- the most advanced point in the Latin American revolution -- to overthrow a ruling revolution which is attempting to consolidate itself, and to eliminate a revolution that is attempting to take over power through the force of arms. It is trying to portray the will of the empire as the all-powerful will that dictates the pace of history and not the will of the people, which is the one that truly sets the pace of history.

The spread of the idea that there is a draw is a mechanism to save its already defeated foreign policy, faced with the failure, the strategic attacks, the impossibility of overthrowing the Sandinist government, and the impossibility of eliminating the FMLN.

I would even add that the Duarte government, just like any other government that may arise in El Salvador with any other name, should see itself as an inseparable part of the plan [words indistinct]. It is not a coincidence that the Duarte government is undergoing a crisis. It is not a coincidence that the Duarte government is politically isolated. It is not a coincidence that the big bourgeoisie, the Salvadoran obligarchy, the extreme right of the Salvadoran bourgeoisie, is attempting to recover its hegemonic role. This is in fact the result of the defeat of the counterinsurgency plan in El Salvador. This in turn is evidence of the non-existence of a military draw or of a stalemate in a victorious process, of the revolution in El Salvador.

[Cascaret] When speaking earlier, Comrade Moises was talking about a crisis in Duarte's government. We would like to know what the signs of the crisis are in the Christian Democratic government at this time.

[Martinez] The crisis of the Christian Democratic government which is basically the crisis of the counterinsurgency plan, of the counterinsurgency model that the Americans are sponsoring in El Salvador, can be seen in the political [word indistinct] of the Duarte government, of the weakening of Duarte as a facade for the counterinsurgency plan, and also in the failure of that counterinsurgency plan.

Its specific manifestation, its critical situation was established when ARENA [Nationalist Republican Alliance], which is the political instrument of the ultra right-wing oligarchy, (?demanded) Duarte's replacement. This ARENA demand was not a product of any decision, in fact, it was made when a plot to overthrow the government was discovered. This was to be a coup d'etat with the participation [words indistinct] Army identified as the [words indistinct] the highest ranking generation of the military school. This school also has its own ideas and encourages the contradictions of that group [words indistinct] seeking a coup d'etat in El Salvador. In other words, ARENA is not only looking for the ouster of Duarte as the principal government figure. It is seeking to displace Christian Democracy as the main political instrument of the counterinsurgency government.

Of course, the Americans show they are convinced Duarte is worn out. We suppose they would be amenable to Duarte's replacement, as long as this did not imply losing their hegemony in the political and military affairs of El Salvador. This complicates the problem because what ARENA seeks is to recover hegemony which would mean a loss ofd hegemony for the Americans.

You probably remember that in 1981-82, all the efforts of the U.S. Government were designed to establish American hegemony over the political and military affairs of El Salvador. They were able to do this in 1983 when General Garcia was outsted as minister of defense. Of course, they would be unable to replace Duarte today should it mean paving the way for the loss of hegemony.

We believe that this [word indistinct] will have to be the object of negotiation which could result in keeping Duarte as the figure [words indistinct] counterinsurgency plan. Or, it could also result in a replacement. But, in either case, the same government will be established, whether headed by Duarte or by someone else, which will have much less room for action in negotiation because of the contradictions with the bourgeoisie. The counterinsurgency government will be more compromised with the interests of the bourgeoisie and the American plan. Therein lies the essence of the failure of the counterinsurgency plan which has made it possible for the oligarchs to dispute hegemony with them.

In this connection, I would like to conclude by saying that this also demonstrates what we were talking about earlier when we were trying to set out the evidence for the non-existence of a military draw. This crisis is also evidence of the (?failure) of the counterinsurgency plan and the advance of the revolutionary forces in El Salvador.

OUTCOME OF SELA MEETING IN GUATEMALA 'POSITIVE'

PA202310 Havana International Service in Spanish 0000 GMT 20 Jan 87

["Note" feature written and read by Amalia Sanmartino]

[Text] The conference of economy ministers from the region which was organized by the SELA has concluded in Guatemala City after issuing a document. One of the paragraphs states that Latin America cannot pay its foreign debt given the crisis which afflicts the marketing of their basic products.

The representatives from 26 countries who attended the regional conference on basic products predictably approved a plan aimed at defending the legitimate rights of the Latin American and Caribbean nations. The project's first goal is to increase the intraregional trade of basic products and thus increase income levels, save foreign exchange, and strengthen regional economic security.

The decision is particularely important, above all becuse the document also states that the countries in the area cannot pay their foreign debt. The concept is based on the critical situation which prevails concerning basic products due to the constant drop in prices, becuse the consequences are dramatically felt by all the Latin American and Caribbean nations.

Referring to this, it is vitally important to stress that the region has failed to collect $50 billion during the last 10 years due to the drop in the prices of raw materials -- which represent 80 percent of the local exports. Upon analyzing these figures, one can readily understand the close relation between the impossibility of paying the area's foreign debt -- which is almost $400 billion -- and the economic stalemate caused by the basic products' crisis.

Consequently, the SELA regional meeting and the approval of its action plan to strengthen reciprocal trade and increase the participation of its member countries in the processing and marketing of basic products can be described as positive.

### Castro Message on Unity

FL191550 Havana Television Service in Spanish 1800 GMT 17 Jan 87

[Text] Sebastian Alegret, secretary general of the Latin American Economic System, SELA, has read a messge sent by Fidel Castro, president of the Councils of State and Ministers of Cuba, to the regional SELA conference underway in Guatemala City at the ministerial level. The message stresses that only by strengthening unity can Latin American countries be economically independent of the West and ensure the new international economic order.

## GUYANA'S VICE PRESIDENT DENIES SHIFT TOWARD U.S.

PA290324 Havana International Service in Spanish 0000 GMT 29 Jan 87

[Text] Guyanese Vice President Ranji Chandisingh has reiterated that his government maintains a nonaligned policy, and he rejected the charges made by the opposition that a shift toward the United States has occurred. During the second day of debates on the current budget at the Guyanese parliament, Chandisingh said that the plan drafted by the ruling People's National Congress is aimed at reactivating the economy and boosting the national development. On Monday, opposition leader Cheddi Jagan, secretary general of the People's Progressive Party, accused President Desmond Hoyte's government of bending over backwards for the interests of the United States, and of preparing to sell the country to the IMF.

BOLIVIAN HEALTH MINISTER PRAISES ASSISTANCE

FL291530 Havana Tele-Rebelde Network in Spanish 1200 GMT 29 Jan 87

[Text] In a meeting with eminent Cuban orthopedic Doctor Rodrigo Alvarez Cambras [alternate member of the Communist Party of Cuba Central Committee] in La Paz, Bolivian Public Health Minister Carlos Perez expressed his country's appreciation for the medical assistance provided by Cuba.

During the meeting, the minister said Bolivian President Victor Paz Estenssoro is very satisfied with the results of Cuba's assistance, especially with the benefits resulting from the pediatric intensive care unit donated by Cuba to the Nino de la Paz Hospital.

In addition, Perez said Cuba's assistance is of great significance amid Bolivia's economic difficulties.

IRANIAN OFFICIAL ARRIVES FOR BILATERAL TALKS

FL291347 Havana Tele-Rebelde Network in Spanish 1200 GMT 29 Jan 87

[Announcer-read report]

[Text] Iranian Deputy Prime Minister of Political Affairs Ali-Reza Mo'yeri is in Havana to hold talks with representatives of the Cuban Government on the development of bilateral relations and other topics of mutual interest.

Upon his arrival in the Cuban capital, the deputy prime minister of the Islamic Republic of Iran was welcomed at the Jose Marti International Airport by Cuban Foreign Minister Isidoro Malmierca Peoli.

RAUL CASTRO MEETS WITH POLISH DELEGATION

FL271546 Havana Tele-Rebelde Network in Spanish 1200 GMT 27 Jan 87

[Text] Army General Raul Castro Ruz, second secretary of the Communist Party of Cuba Central Committee, has met with a delegation from the Polish Parliament, which stopped in Havana after visiting Nicaragua and Mexico. The group is led by Mieczyslaw Rakowski, deputy chairman of that legislative body.

Earlier, the Polish representatives visited Cuba in response to an invitation made by the National Assembly of the People's Government. At that time, they toured areas of economic and historical interest in Cuba.

CASTRO TOURS STEELWORKING INDUSTRY EXPOSITION

FL231717 Havana Tele-Rebelde Network in Spanish 1200 GMT 23 Jan 87

[Text] Commander in Chief Fidel Castro, first secretary of the Communist Party of Cuba [PCC] Central Committee and president of the Councils of State and Ministers, last night toured a steelworking industry exposition placed at the Youth Fairgrounds.

During approximately 3 hours, Fidel was given detailed information on equipment and parts manufactured in Cuba which substitute imports or constitute export goods.

CENTRAL COMMITTEE MEMBERS TOUR INDUSTRIAL CENTERS

FL291502 Havana Radio Progreso Network in Spanish 1200 GMT 29 Jan 87

[Text] Jaime Crombet, member of the Secretariat of the Communist Party of Cuba [PCC] Central Committee, has toured several industrial centers in Villa Clara where he received information on the current situation in completing their respective production plans.

Also participating in the tour was Tomas Cardenas, member of the Central Committee and first secretary of the PCC in Villa Clara Province, and Eugenio Mainegra, chief of the Basic Industry Department of the Central Committee.

186,000 WORKERS TO BENEFIT FROM WAGE INCREASES

FL231248 Havana Radio Progreso Network in Spanish 1200 GMT 23 Jan 87

[Text] The State Committee for Labor and Social Security has adopted a resolution increasing the wages of the first group of laborers in the salary scale and of groups one and two of the scale of administrative and service workers.

The resolution will be in effect on 1 February and will benefit 186,000 workers in line with the recommendations made by Commander in Chief Fidel Castro during the 53d plenum of the National Council of the Central Organization of Trade Unions.

FOOTWEAR UNION REPORTS PRODUCTION DEFICITS

FL300243 Havana Radio Rebelde Network in Spanish 0000 GMT 30 Jan 87

[Text] The Light Industry Leather and Footwear Union has reported that over 40,000 pairs of finished and unpacked shoes are stored in the warehouses of Havana's (Van Troy) and Villa Clara's Jose Luis Chabiano factories because of lack of boxes. The leather and footwear union also reported that production of plastic footwear is paralyzed at Santiago de Cuba s Rafael Gonzalez Castellano and East Havana's (Van Troy) enterprises because of lack of boxes.

Box shortages in shoe factories is an old problem and we hope the leather and footwear union will solve the situation. There are also problems in the production of solutions and inks used in footwear accesory enterprises, especially in the alcohol supplies.

This month's footwear production closed at a 79 percent production level and a deficit of 70,000 pairs. Some 39,500 pairs have been completed but are waiting to be placed in boxes and 3,900 need price tags. There is a net shortage of 26,700 pairs of shoes.

PRESIDENTIAL REPORT ON NATIONAL ECONOMY

PA290206 Paris AFP in Spanish 1906 GMT 28 Jan 87

[By Miguel Longo]

[Text] Santo Domingo, 28 Jan (AFP) -- After 4 and 1/2 months in power, Dominican President Joaquin Balaguer has lived up to his local reputation of a "financial wizard." During last night's brief radio and television message to the nation, President Balaguer announced that in these past months, he has been able to save 203 million pesos (approximately $65 million). According to the brief summary presented by the president, he was sworn in, and on 31 December, the government's ordinary revenue amounted to 715 million pesos: 217 million pesos were used in public investments; 203 million pesos were saved; and the remainder was used to pay the state's bureaucracy.

With one of his usual theatrical gestures, the practically blind 79-year-old president presented a check for the 200 million pesos saved to the budget general director, so he could deposit the check at the Central Bank and thus lower the excess of circulating cash. In the past few months, Dominican authorities and economists have expressed great concern over the increase of circulating cash. The excess of circulating cash, among other things, tends to increase prices and keeps the dollar exchange high. During a usually low time of year, such as the end of the year, the rate of exchange was firm at more than 3 pesos for the dollar.

The opposition political parties and some experts have accused Balaguer's government of issuing worthless money [emisiones inorganicas de dinero] to cover the debts the previous government left outstanding, and to begin the sugarcane harvest at the 12 State Sugar Council (CEA) sugarmills that are showing a deficit. Balaguer emphatically denied that the Central Bank had issued worthless money, and strongly supported the recent measures establishing a marginal legal reserve for the banks and a 2-percent surcharge on import revenue. These two measures are aimed at reducing the circulating cash.

Balaguer also announced that in addition to the 200 million pesos that were "democratized" yesterday, he plans, throughout the fiscal year, to continue to present checks that will represent money that has bveen saved. The president said that the 200 million pesos deposited yesterday at the Central Bank will be used to finance a hydroelectric project and to build an aqueduct for Santo Domingo. He added that since the total cost of these 2 projects is approximately 600 million pesos, the will be gradually paid for as the work advances.

Balaguer said that according to the available statistics, the level of circulating cash is currently fo 2.578 billion pesos. Expert economists have said that to achieve an adequate cash balance, it will be necessary to remove approximately 500 million pesos from circulation.

The president concluded his message with marked optimism regarding the economic crisis in the country. Among the problems confronted is the payment of the foreign debt, which amounts to approximately $500 million. The president has already said that the country cannot meet this debt. According to the official reports, in the past few months, the government has only paid small amounts to the international credit organizations, such as the World Bank and the IDB. These small payments were essential to continue receiving the scheduled disbursements.

"We cannot say that we are already galloping off; however, we can say that we have a foot in the stirrups," concluded the president, who had no problem reciting the list of numbers even though his poor eyesight keeps him from reading his messages.

## HAITI

### POLICE FIRE AT PALACE DEMONSTRATORS, KILL WOMAN

PA292357 Madrid EFE in Spanish 2315 GMT 29 Jan 87

[Text] Port-au-Prince, 29 Jan (EFE) -- A woman was shot to death by Haitian police today while she participated in a demonstration in front of the National Palace.

The incident occurred after a man, who called himself "Rambo," was arrested by the police for having broken the glass of several windows of the palace and demanding the head of General Henri Namphy, president of the National Council of Government.

Hundreds of onlookers rallied at the police barracks closest to the palace, where they were dispersed by policemen with tear gas and beaten with clubs. In reprisal, some of the demonstrators set fire to a government-owned jeep and prevented firemen from putting out the fire.

At this moment, the police opened fire on the crowd and the woman, who has not yet been identified, fell, dead.

Early in the evening, a group of demonstrators was still protesting near the police barracks.

The situation in the Haitian capital is still tense. There are only 10 days before the first anniversary of former president-for-life Jean Claude Duvalier's leaving the country in exile is commemorated on 7 February.

## JAMAICA

### GOVERNMENT BEGINS TO IMPORT SOVIET TRACTORS

FL232358 Bridgetown CANA in English 2038 GMT 23 Jan 87

[Text] Kingston, Jamaica, Jan 23 (CANA) -- Jamaica has begun to purchase Soviet-made tractors under a bilateral trade agreement through which Kingston sells bauxite to Moscow.

Jamaica National Investments Promotion Limited (JNIP) said a shipment of 14 Belarus tractors was arriving here this weekend from Canada, imported by a firm it helped establish.

They are coming from Belarus Equipment in Canada, subsidiary of the Russian manufacturers.

Under a Soviet-Jamaica trade agreement, Kingston has a seven-year deal to sell a million tonnes of bauxite annually.

In return Jamaica is to buy from the Soviet Union goods valuing approximately 20 per cent of the cost of the bauxite.

The Russians, however, have been keen to interest Jamaica in other lines, particularly industrial equipment -- a position pushed at their last joint negotiating conference in 1986 when officials here failed in a bid to get Moscow to take more bauxite.

The JNIP, in touting the Russian tractors, said they were used ain some 70 countries and that 10,000 farmers use Belarus Equipment in Canada. The tractors coming to Jamaica range from 60 horse power to 175 horse power.

The company importing the units said they would be well-suited for small- to medium-sized farms here, and would be the most economical tractors on the local markets.

SEAGA RULES OUT GENERAL ELECTIONS in 1987

FL281245 Kingston Domestic Service in English 1130 GMT 28 Jan 87

[Text] Prime Minister Edward Seaga has ruled out any chance of general elections in Jamaica this year. Speaking to reporters in Washington, the prime minister was asked if he would be forced to hold general elections this year.

[Begin recording] [Unidentified reporter] Won't you be forced to hold elections this year?

[Seaga] Absolutely not. Absolutely not [repeats himself]. No opposition party dictates (?to) the government (?on) elections. Only one person in the Constitution can decide that. And that's the prime minister. [end recording]

Prime Minister Edward Seaga speaking in Washington yesterday.

Opposition Promotes Elections

FL272100 Bridgetown CANA in English 1056 GMT 27 Jan 87

[Text] Kingston, Jamaica, Jan 27, CANA -- Opposition Peoples' National Party (PNP) leader, Michael Manley, today briefed Kingston-based diplomats on PNP plans to begin island-wide protests if Jamaica Prime Minister Edward Seaga does not set a general election date by April, informed sources reported. Today's meeting followed one yesterday with private sector leaders as Manley stepped up his campaign to force Seaga into elections this year.

The sources said Manley told the diplomats that the PNP was not prepared to accept any further delay after April when with a throne speech and a new budget the country would be locked into a new political year.

Seaga can constitutionally stay in office until early 1989, but the opposition contends that he was no moral legitimacy or popular mandate to maintain power until then.

The PNP boycotted a snap general election in December 1983, saying they were called on an outdated voters register and Seaga reached an agreement that no election would be held without reforms to reduce illegal voting.

The opposition scored a decisive victory in municipal elections last July and says that Seaga should now call a national poll.

Manley repeated to the diplomats the PNP's argument that Jamaicans had not voted for a government since the 1980 general election and the people should be given a chance to renew the government or say whether they want a government to pursue a new economic strategy, according to the sources. If the government refused to reach an understanding on election by April, he was quoted as saying, the PNP would be forced to launch peaceful but forceful protests.

According to the PNP, at yesterday's meeting with the private sector Manley said that the planned protests were not designed to provoke violence. He said elections were required to restore full democracy, which he claimed was interrupted when Seaga breached solemn agreements.

Diplomats at today's meeting were reported to have sought clarification of the PNP's foreign policy as well as the party's attitude to Jamaica's new stand-by agreement with the International Monetary Fund (IMF), particularly the 110 per cent wage guideline.

One diplomat wanted to know whether the PNP would during its protests seek to encourage strikes, the sources said.

Manley was quoted as saying that workers would essentially be involved in protests, but that the PNP would not be seeking to generate strikes in a bid to lock workers into the PNP agenda.

Trade unions would over the next few days be reviewing the IMF package and their decision would be independent of the PNP, Manley said.

## TRINIDAD AND TOBAGO

### PRIME MINISTER ROBINSON PRESENTS 1987 BUDGET

FL241710 Bridgetown CANA in English 2312 GMT 23 Jan 87

[By Debra Ransome; monetary units and punctuation as received]

[Text] Port-of-Spain, Trinidad, Jan 23, CANA -- Trinidad and Tobago's new Prime Minister and Finance Minister A N R Robinson today presented a TT8.3 billion dollar (one TT dollar; 27.7 U.S. cents) 1987 budget, that included more than 125 million dollars in additional taxation on individuals and business.

The budget envisaged recurrent spending of 5.5 billion dollars and capital expenditure of 2.8 billion. The 2.5 billion dollar deficit, Robinson said, would be made up by spending cuts, shared sacrifices -- including a five per cent cut of ministerial salaries -- and a vigorous 1987 local and foreign borrowing programme (local; 300 million dollars, foreign; 791.5 million dollars).

In a 75-minute presentation to Parliament's lower house, Robinson, whose National Alliance for Reconstruction (NAR) government came to power in general elections last month, lowered the ceilings on a number of traditional income tax exemptions -- a move expected to yield TT180.6 million dollars.

He increased taxation on businesses (50 million dollars), airline tickets and petrol, raised all-round indirect tax, and removed the 12 per cent of stamp duty exemption on books and newsprint (yield; 78.3 million dollars), and added an unemployment levy (4.5 million dollars).

Corporations with 1987 profits of less than five million dollars will pay an additional one percent in tax. Those with profits between five and 15 million dollars a year would pay two per cent more and over 25 million dollars, an additional three per cent, Robinson said. This measure is expected to yield 50 million dollars -- 28.5 million from the oil companies and 21.5 from other establishments.

Robinson unified the former dual exchange rate announced after the December 1985 devaluation. The preferential rate for imported essentials was dropped. All imports will now be taxed at the rate 27.7 U.S. cents for one TT dollar, which prime minister said would save 760 million dollars in subsidies to drug and food importers.

The tax on airline tickets was doubled to 20 per cent and on gasoline was raised by 50 per cent to 15 cents per litre.

It is a prime objective of this government to tailor its total expenditure programme to a level consistent with its available financial resoures and to ensure that the government too makes its wasteful and non-productive expenditure, said Robinson announcing a five per cent cut in government ministers' salaries and the end of automatic funding of the country's 67 state enterprises.

The cut in ministerial salaries along with a temporary halt to cost of living and merit increases for public workers will save the government 490.8 million dollars, he said.

Robinson also announced plans to upgrade investment in local projects including establishment of a national recovery impost. The impost fund, gathered from the increased unemployment levy on income tax and increased corporation tax, will help finance projects which are labour intensive, import-independent, immediately output generative, and with the widest ranging benefits, preferably in the fields of agriculture, construction, and infrastructural works such as flood relief.

Medium term plans would be aimed at encouraging investment in engineering industries, manufacturing, downstream oil, fertiliser, natural gas and asphalt production, tourism and export related manufacturing. The taxation system would be reviewedover the next few months to be introduced after adequate study and consultation.

Robinson said job creation would be aided through government emphasis construction programmes providing housing, schools and hospital upgrading, and new courthouses.

We are opening discussions with the Inter-American Development Bank (IDB) with a view to using more local resources in an IDB-funded school building project here, Robinson said government would also be seeking a Caribbean Development Bank (CDB) loan for exploitation of the country's teak wood resources.

It cannot be over-emphasised, however, that great reliance will have to be placed upon self-help schemes and on the private sector, since large scale public sector financing is no longer the order of the day, said Robinson.

Accusing the last administration of fiddling over a 1986 election date while the treasury burned, Robinson said his government was now faced with a 1.2 billion dollar bill from last year's deficit.

The imperatives of the 1987 package, said Robinson, would be to avoid the debt trap and dependence on the International Monetary Fund (IMF), avoid the route of inflation, hyperinflation, successive devaluations, institutionalised misery, and the temptation to spend more than we earn. Just as we avoid the devil of the debt trap and inflationary finance, so must we equally avoid the deep blue sea of social discontent and social discord, said Robinson.

There can be no question of running away from sacrifices or from taking up courageously the burden of the economic costs that have to be paid for past mistakes.

Promising shared sacrifices, full, frank and open communication with the public, and an immediate start to economic recovery, Robinson earmarked savings through an immediate review of state enterprises with divestment as one possible option.

The immediate budgetary task, said Robinson, was to bring recurrent earning in line with spending, put a hold on tax reduction promises, cut spending by either lower compensation or reduced government personnel and cuts across-the-board for public service spending on goods and services.

Robinson urged people here not to underestimate the gravity of the country's financial and economic problems. Trinidad and Tobago, he said, faced a total 7.4 billion dollar debt at the end of 1986 -- 5.6 billion dollars being external, with state enterprises having transferred some liabilities to the public purse.

The debt repayment schedule would amount to 1.1 billion dollars on government's direct debt and 539 million dollars on government's guaranteed debt -- covering loans made by state companies, Robinson said.

Urging the country to jealously guard its foreign exchange assets, Robinson said Trinidad and Tobago's picture was not one of unrelieved gloom given the recent rise in the world price of oil -- the main revenue earner -- a not too unfavourable international economic environment, and the knowledge by the population that our financial and economic situation is bad.

...If sacrifices are not made now and voluntarily, then greater sacrifices and suffering will later be forced upon us, declared Robinson.

## Tu Criticizes Adjustments

FL262005 Bridgetown CANA in English 2001 GMT 25 Jan 87

[Text] Port-of-Spain, Trinidad, Jan 25, CANA -- A leading trade union says the new Trinidad and Tobago budget has put workers on the firing line while private sector representatives have praised proposals to reduce official expenditure.

The Trinidad and Tobago Unified Teachers Association (TTUTA) issued a statement after an unscheduled meeting yesterday saying public servants and teachers were once again being required to bear the brunt of adjustment.

The budget, presented last Friday by new Prime Minister A N R Robinson, included more than 125 million dollars (one TT dollar -- 27.7 U.S. cents) in additional taxes on individuals and businessmen.

Our basic response is that the budget in its preamble makes a lot of reference to equity regarding the burden of adjustment but when you look at the measures imposed, particularly the removal of COLA (cost of living index) for public servants, generally, we are on the firing line, Dr Kenrick Rennie, president of the union, told CANA.

Robinson halted cost of living (retail price index-linked) allowances and merit increases for public servants.

Rennie added: The burden is not being shared equitably at all. He remarked that removal of the COLA would mean a loss of about 280 dollars monthly to the lowest grade public servants and a slight change in living habits of the services higher ranks.

Civil servants are awaiting a decision next month by the industrial court on near three-year-old negotiations for salary increases.

Meanwhile, the South Trinidad Chamber of Industry and Commerce and the Trinidad and Tobago Manufacturers Association (TTMA) welcomed moves to cut government spending.

The chamber's president, Peter Quentrali-Thomas, said an overall financing plan was, however, needed to meet the needs of the entire country.

The TTMA is pleased that the government in its 1987 budget has taken the necessary steps to curb expenditure and has brought it to a more realistic level, President Leslie Samaroo said.

He added that additional revenue measures would mean a reduction of disposable income and increase the need for import controls as local consumption dipped.

Manufacturers looked forward to introduction of new incentives announced in the budget to stimulate investment.

The budget debate begins tomorrow.

## Civil Servants Protest Budget

FL281436 Bonaire Trans World Radio in English 1130 GMT 28 Jan 87

[Text] In Trinidad and Tobago, demonstrations by hundreds of civil servants were reported yesterday in protest of the government's new proposed budget. The budget includes what amounts to an 80 percent increase in the cost of living to civil servants.

The demonstrations are to continue through the lunch hour today. However, scores of demonstrators are marching in support of the government, maintaining that the previous regime had left things in a mess and that the leaders now need time to correct it all.

The business sector is generally in favor of the budget.

## Unions Call for Demonstration

FL291932 Bridgetown CANA in English 1922 GMT 29 Jan 87

[Text] Port-of-Spain, Trinidad, Jan 29, CANA -- About 500 public servants today staged a demonstration -- the fourth for the week -- outside the Trinidad and Tobago Parliament protesting recently-announced budgetary measures.

Public servants have been campaigning against government's decision to reduce state-sector spending by suspending retail price index-linked allowances and merit salary increases.

Debate on the budget is likely to end tonight since the document must be passed by both houses of Parliament by tomorrow.

Trade unions have called a mass demonstration against the cost-cutting measures outside Parliament tomorrow.

FINANCE MINISTER PRESENTS 1987 BUDGET

FL170357 Bridgetown CANA in English 0012 GMT 17 Jan 87

[Monetary units as received]

[Text] Georgetown, Guyana, Jan 16, CANA -- Guyana's Finance Minister Carl Greenidge today presented a G2.149 billion dollar budget for 1987 that included a 56 per cent currency devaluation, more than 20 million dollars in tax relief and increased public sector wages totalling 40.6 million dollars. The budget was nearly doubled the G1.252 billion dollars of 1986.

The exchange rate adjustment moved the value of the Guyana dollar from U.S. 22.7 cents to U.S. 10 cents, to correct what the minster said was a "loss of our competitive advantage in the Caribbean and international markets." The U.S. dollar is now worth G10 dollars.

The minister said commercial banks would have a special window, through which they will compete with the black market for foreign currency. Government he said needed the hard currency being traded daily on the streets at rates as high as 20 Guyana dollars to one U.S.

Under the tax relief package, the claimable personal allowance for a married man moves from 1,200 to 2,500 dollars, for a spouse from 1,250 to 2,500 dollars, for a child its being doubled to 1,000 dollars and for a dependent relative it moves from 375 dollars to 1,000 dollars.

Greenidge said the tax relief for some export-oriented private sector businesses should be as much as 50 per cent.

He said consumption taxes on cooking gas and kerosene would be removed.

Betting shops had the cost of their licences doubled to one million dollars.

Incentives were promised to gold miners and the manufacturing sector.

Greenidge said the big deficit facing the large state-run business sector must be turned into a surplus. Their 1985 (correct) operating deficit was G58 million dollars.

The vital foreign exchange earning government-owned sugar industry, he said, had accumulated losses of G235 million dollars between 1984-86.

The minister described the budget as a "bold, down-to-earth and purposeful economic reconstruction" programme geared to restoring economic buoyancy here.

Guyana, due mainly to substandard performance by its key bauxite, rice and sugar sectors, has for years now suffered from a severe foreign exchange crisis.

A near half billion dollar fiscal deficit (1986) and outstanding indebtedness to some international financial institutions have kept Guyana from securing much-needed balance of payments support.

Parliamentary debate on the budget is due to start on Tuesday.

PPP Reacts to Devaluation

FL211618 Bridgetown CANA in English 2257 GMT 20 Jan 87

[Text] Georgetown, Guyana, Jan 20, CANA -- The main opposition Peoples' Progressive Party (PPP) of Dr Cheddi Jagan has linked last Friday's 56 per cent devaluation of the Guyana dollar to what it said are continuing government efforts to conclude a balance of payments support agreement with the International Monetary Fund (IMF).

A PPP statement said the Desmond Hoyte regime here would be courting disaster by striking a new deal with the IMF.

In order to gain favour from local and foreign investors, the PPP said, the government had "put in jeopardy anti-imperialist gains," especially nationalisation.

The PPP again urges the ruling party to take seriously the "lessons of past disastrous IMF deals."

"The expressed goal of the ruling party to build socialism in Guyana does not seem to be informing current official policies..." the Marxist PPP declared.

The PPP has predicted a soaring of the cost of living as a result of the devaluation, which saw the Guyana dollar sink from 22.7 U.S. cents to 10 U.S. cents.

"The political forces of the country are mature enough to seek out a common approach to bring the country once again onto the path of development, and any other way will lead to further chaos."

REPORTAGE ON ELECTRIC TOWER BOMBINGS, OUTAGES

Rebels Destroy Towers

FL281434 Bonaire Trans World Radio in English 1130 GMT 28 Jan 87

[Text] In the Caribbean area, rebels trying to topple Surinamese military leader Desi Bouterse destroyed or damaged three hydroelectric power transmission towers leaving the capital with half of its normal energy requirements.

Forces loyal to former soldier Ronnie Brunswijk used explosives to destroy the towers connecting Paramaribo with the Afobaka hydroelectric power plant 60 miles to the south. Two of the towers were completely destroyed and a third was heavily damaged late Sunday [25 January] leaving the capital and its surroundings with about half of its normal energy requirements

Radhakishun Proposes Energy Plan

FL282115 Paramaribo International Service in English 1730 GMT 28 Jan 87

[Text] A serious situation has resulted in the sabotage last Sunday [25 January] of three electricity transformers by members of the Brunswijk Gang.

Because of the blowing up of transformers Suriname will now have an irregular supply of electricity for the next 2 to 3 months. The electricity company has called on small shop owners and manufacturers to work from 3 pm to 6 pm or between 1130 pm and 6 pm. The energy capacity of the company has been reduced by one half and available energy is being distributed on the rotation system.

Yesterday evening the National Assembly met and discussed the energy situation. Finance Minister Mungra and Energy Minister Kensmil informed the representatives of the situation and its consequences.

A crisis team comprising representatives of Suralco, the electrical company, and the Ministry of Energy has been installed to coordinate the distribution of the scarce energy.

During the public meeting of the assembly Prime Minister Radhakishun made some proposals to save energy. Among these are the adjustment of working hours of civil servants, the suspension of late shopping, and increased police surveillance since there are less street lights at night.

The economic consequences of the energy sabotage are very severe for Suriname. Finance minister yesterday told the National Assembly that 2,500 jobs in the bauxite sector will be lost while the government will have to force out $8 million a month to lessen the scarcity of energy and the decreased revenues of the bauxite sector.

The following terror actions by the Brunswijk Gang, which forced the Moengo operations to close, the Sunday sabotage has now closed the aluminum plant at Paranam. Minister Mungra however, presented some proposals to the assembly aimed at regaining stability. He mentioned, among others, a reduction of the budgetary deficit and adjustment of the foreign exchange rate of the Suriname guilder.

## Commewijne Reports Water Shortage

FL282134 Paramaribo International Service in English 1730 GMT 28 Jan 87

[Text] The energy shortage has hit the Commewijne district where there has been a shortage of potable water since Sunday [25 January] last. Because of the rotation system of the electricity company [as heard], the Commewijne district is being supplied with energy for a few hours a day and the two pumps which regulate the water supplies work only during that time.

In some areas the shortage of electricity and water are not felt since they have their own energy supply. The capital, Paramaribo, is hardest hit by the energy interruptions and it seems as if the problem will not be solved in the near future.

## Mungra Comments on Sabotage

FL292132 Paramaribo International Service in English 1730 GMT 29 Jan 87

[Text] Finance Minister Soebhas Mungra said the Surinamese economy is now in intensive care as a result of the recent sabotage of electricity supply. For the first time in the history of Surinmae bauxite is being imported costing the country, some $28 million. Jobs which are lost in the bauxite sector also mean a decrease of foreign exchange revenues for Suriname.

Mungra, who spoke at an urgent meeting of the National Assembly on Tuesday last [27 January], criticized the monetary policy which has been waged until now. He is of the opinion that structural adjustments such as devaluation of the Suriname guilder are needed.

## SURALCO IN PARANAM TO STAY 'TEMPORARILY CLOSED'

FL291419 Bonaire Trans World Radio in English 1130 GMT 29 Jan 87

[Text] In Suriname, the aluminum forge of the Suralco [Suriname Aluminum Company] company in Paranam is to remain temporarily closed even if electric power is restored.

The Ronnie Brunswijk rebel group in Suriname has knocked out power to much of eastern Suriname. Suralco says before it starts operating again, it will have to raise the price of its aluminum to cover starting-up costs.

Eight hundred jobs are in danger by Suralco's decision.

## SURALCO SUSPENDS WAGES; MOENGO REMAINS CLOSED

FL222142 Paramaribo International Service in English 1730 GMT 22 Jan 87

[Text] The Moengo bauxite workers are to benefit from welfare facilities from the Suriname Aluminum Company [Suralco] until the end of February. But from yesterday, the payment of wages has been suspended.

On January 1st last, Suralco had sent the workers on 3-weeks compulsory leave hoping for an eventual reopening of the Moengo operations. However, this was not possible since the situation in the east of Suriname remains tense.

This week, the unions and the bauxite industry were informed of the measures taken by Suralco. However, the unions do not agree with the position taken by the company charging the company with honoring the collective labor agreement in the breach [sentence as heard].

Medical facilities and group insurances will remain until the end of February while those workers who rent houses from Suralco will be allowed to live rent free for the same period of time. No announcements were made on what steps will be taken after February.

Suralco, the unions, and the government are continuing discussions on the reopening of the Moengo operations.

CENTRAL BANK CITES ACUTE FOREIGN EXCHANGE PROBLEM

FL261954 Bridgetown CANA in English 1702 GMT 25 Jan 87

[Text] Paramaribo, Suriname, Jan 25, CANA -- Suriname will have to substantially increase exports if the country is to overcome its foreign exchange shortage, according to Central Bank President Henk Goedschalk. He described the foreign exchange problem as acute, saying that restrictive measures to ease it had been tried to the limit.

He made the comments while speaking at the annual meeting of financial institutions supervised by the bank -- among them commercial banks and insurance companies. Goedschalk also announced that a special department has been set up at the Central Bank for export financing and export subsidies.

He told the meeting there were no plans to devalue the guilder since the short term effect of such a measure would be further contraction of foreign earnings and growing inflation.

Looking back at the last year, Goedschalk spoke of the worsening financial-economic situation which he said was reflected in the record deficit in the budget amounting to 490 million guilders (270 million U.S. dollars).

Contributory factors were said to be the destruction caused by rebels in the east of the country, the steady decline of foreign exchange earnings from bauxite and timber, the increase of the foreign debt at short notice, the striving black market and sharp price hikes in the trade sector.

The Central Bank president, however, said that 1986 was fruitful regarding the implementation of a monetary policy to check the financial-economic crisis and to maintain the level of the guilder.